

1 AN ACT relating to the Kentucky Retirement Systems.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 16.505 is amended to read as follows:

4 As used in KRS 16.505 to 16.652, unless the context otherwise requires:

- 5 (1) "System" means the State Police Retirement System created by KRS 16.505 to  
6 16.652;
- 7 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 8 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its  
9 successor;
- 10 (4) "Current service" means the number of years and completed months of employment  
11 as an employee subsequent to July 1, 1958, for which creditable compensation was  
12 paid by the employer and employee contributions deducted except as otherwise  
13 provided;
- 14 (5) "Prior service" means the number of years and completed months of employment as  
15 an employee prior to July 1, 1958, for which creditable compensation was paid to  
16 the employee by the Commonwealth. Twelve (12) months of current service in the  
17 system are required to validate prior service;
- 18 (6) "Service" means the total of current service and prior service;
- 19 (7) "Accumulated contributions" at any time means the sum of all amounts deducted  
20 from the compensation of a member and credited to his individual account in the  
21 member's account, including employee contributions picked up after August 1,  
22 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts  
23 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have  
24 contributed, including interest credited. For members who begin participating on or  
25 after September 1, 2008, "accumulated contributions" shall not include employee  
26 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.  
27 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as

1 prescribed by KRS 61.702(2)(b);

2 (8) "Creditable compensation":

3 (a) Means all salary and wages, including payments for compensatory time, paid  
4 to the employee as a result of services performed for the employer or for time  
5 during which the member is on paid leave, which are includable on the  
6 member's federal form W-2 wage and tax statement under the heading "wages,  
7 tips, other compensation," including employee contributions picked up after  
8 August 1, 1982, pursuant to KRS 16.545(4);~~[-]~~

9 (b) Includes:~~[-A]~~

10 1. Lump-sum bonuses~~[-bonus]~~, severance pay, or employer-provided  
11 payments~~[-payment]~~ for purchase of service credit, which~~[-shall be~~  
12 ~~included as creditable compensation but]~~ shall be averaged over the  
13 employee's total service with the system in which it is recorded if it is  
14 equal to or greater than one thousand dollars (\$1,000);~~[-]~~

15 2. Lump-sum payments for creditable compensation paid as a result of  
16 an order of a court of competent jurisdiction, the Personnel Board, or  
17 the Commission on Human Rights, or for any creditable  
18 compensation paid in anticipation of settlement of an action before a  
19 court of competent jurisdiction, the Personnel Board, or the  
20 Commission on Human Rights, including notices of violations of state  
21 or federal wage and hour statutes or violations of state or federal  
22 discrimination statutes, which shall be credited to the fiscal year  
23 during which the wages were earned or should have been paid by the  
24 employer. This subparagraph shall also include lump-sum payments  
25 for reinstated wages pursuant to KRS 61.569, which shall be credited  
26 to the period during which the wages were earned or should have been  
27 paid by the employer;

1           3. Amounts which are not includable in the member's gross income by  
2           virtue of the member having taken a voluntary salary reduction  
3           provided for under applicable provisions of the Internal Revenue  
4           Code; and

5           4. Elective amounts for qualified transportation fringes paid or made  
6           available on or after January 1, 2001, for calendar years on or after  
7           January 1, 2001, that are not includable in the gross income of the  
8           employee by reason of 26 U.S.C. sec. 132(f)(4); and

9           (c) Excludes:

10           1. Living allowances, expense reimbursements, lump-sum payments for  
11           accrued vacation leave, and other items determined by the board;  
12           ~~and shall be excluded. Creditable compensation shall also include~~  
13           ~~amounts which are not includable in the member's gross income by~~  
14           ~~virtue of the member having taken a voluntary salary reduction provided~~  
15           ~~for under applicable provisions of the Internal Revenue Code. Creditable~~  
16           ~~compensation shall also include elective amounts for qualified~~  
17           ~~transportation fringes paid or made available on or after January 1, 2001,~~  
18           ~~for calendar years on or after January 1, 2001, that are not includable in~~  
19           ~~the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4).~~

20           †

21           2. For employees who begin participating on or after September 1, 2008,  
22           ~~lump-sum~~~~[creditable compensation shall not include]~~ payments for  
23           compensatory time;

24           (9) "Final compensation" means:

25           (a) For a member who begins participating before September 1, 2008, the  
26           creditable compensation of a member during the three (3) fiscal years he was  
27           paid at the highest average monthly rate divided by the number of months of

1 service credit during the three (3) year period, multiplied by twelve (12); the  
2 three (3) years may be fractional and need not be consecutive. If the number of  
3 months of service credit during the three (3) year period is less than twenty-  
4 four (24), one (1) or more additional fiscal years shall be used; or

5 (b) For a member who begins participating on or after September 1, 2008, but  
6 prior to January 1, 2014, the creditable compensation of the member during  
7 the three (3) complete fiscal years he or she was paid at the highest average  
8 monthly rate divided by three (3). Each fiscal year used to determine final  
9 compensation must contain twelve (12) months of service credit;

10 (10) "Final rate of pay" means the actual rate upon which earnings of a member were  
11 calculated during the twelve (12) month period immediately preceding the  
12 member's effective retirement date, including employee contributions picked up  
13 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the  
14 system by the employer and the following equivalents shall be used to convert the  
15 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
16 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-  
17 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)  
18 months, or one (1) year;

19 (11) "Retired member" means any former member receiving a retirement allowance or  
20 any former member who has filed the necessary documents for retirement benefits  
21 and is no longer contributing to the retirement system;

22 (12) "Retirement allowance" means the retirement payments to which a retired member  
23 is entitled;

24 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the  
25 basis of actuarial tables adopted by the board. In cases of disability retirement, the  
26 options authorized by KRS 61.635 shall be computed by adding ten (10) years to  
27 the age of the member, unless the member has chosen the Social Security

1 adjustment option as provided for in KRS 61.635(8), in which case the member's  
2 actual age shall be used. For members who began participating in the system prior  
3 to January 1, 2014, no disability retirement option shall be less than the same option  
4 computed under early retirement;

5 (14) "Authorized leave of absence" means any time during which a person is absent from  
6 employment but retained in the status of an employee in accordance with the  
7 personnel policy of the Department of Kentucky State Police;

8 (15) "Normal retirement date" means:

9 (a) For a member who begins participating before September 1, 2008, the first  
10 day of the month following a member's fifty-fifth birthday, except that for  
11 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,  
12 1959; or

13 (b) For a member who begins participating on or after September 1, 2008, the  
14 first day of the month following a member's sixtieth birthday;

15 (16) "Disability retirement date" means the first day of the month following the last day  
16 of paid employment;

17 (17) "Dependent child" means a child in the womb and a natural or legally adopted child  
18 of the member who has neither attained age eighteen (18) nor married or who is an  
19 unmarried full-time student who has not attained age twenty-two (22);

20 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member  
21 in lieu of all other benefits provided by KRS 16.505 to 16.652;

22 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined  
23 by the board, was required in the performance of the duties specified in KRS  
24 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of  
25 duty" shall mean an act occurring which was required in the performance of the  
26 principal duties of the position as defined by the job description;

27 (20) "Early retirement date" means:

- 1 (a) For a member who begins participating before September 1, 2008, the  
2 retirement date declared by a member who is not less than fifty (50) years of  
3 age and has fifteen (15) years of service; or
- 4 (b) For a member who begins participating on or after September 1, 2008, but  
5 prior to January 1, 2014, the retirement date declared by a member who is not  
6 less than fifty (50) years of age and has fifteen (15) years of service credited  
7 under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered  
8 retirement system;
- 9 (21) "Member" means any officer included in the membership of the system as provided  
10 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 11 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS  
12 16.010;
- 13 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which  
14 results in an employee's total incapacity to continue as an employee in a hazardous  
15 position, but the employee is not necessarily deemed to be totally and permanently  
16 disabled to engage in other occupations for remuneration or profit;
- 17 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
18 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
19 pay. The rate shall be certified by the employer;
- 20 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
21 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
22 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not  
23 mean an estate, trust, or trustee;
- 24 (26) "Recipient" means the retired member, the person or persons designated as  
25 beneficiary by the member and drawing a retirement allowance as a result of the  
26 member's death, or a dependent child drawing a retirement allowance. An alternate  
27 payee of a qualified domestic relations order shall not be considered a recipient,

- 1       except for purposes of KRS 61.623;
- 2       (27) "Person" means a natural person;
- 3       (28) "Retirement office" means the Kentucky Retirement Systems office building in  
4       Frankfort;
- 5       (29) "Delayed contribution payment" means an amount paid by an employee for  
6       purchase of current service. The amount shall be determined using the same formula  
7       in KRS 61.5525, and the payment shall not be picked up by the employer. A  
8       delayed contribution payment shall be deposited to the member's account and  
9       considered as accumulated contributions of the individual member;
- 10      (30) "Last day of paid employment" means the last date employer and employee  
11      contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
12      78.615 to the retirement office in order for the employee to receive current service  
13      credit for the month. Last day of paid employment does not mean a date the  
14      employee receives payment for accrued leave, whether by lump sum or otherwise, if  
15      that date occurs twenty-four (24) or more months after previous contributions;
- 16      (31) "Objective medical evidence" means reports of examinations or treatments; medical  
17      signs which are anatomical, physiological, or psychological abnormalities that can  
18      be observed; psychiatric signs which are medically demonstrable phenomena  
19      indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
20      or contact with reality; or laboratory findings which are anatomical, physiological,  
21      or psychological phenomena that can be shown by medically acceptable laboratory  
22      diagnostic techniques, including but not limited to chemical tests,  
23      electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 24      (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
25      following June 30, which shall also be the plan year. The "fiscal year" shall be the  
26      limitation year used to determine contribution and benefit limits established by 26  
27      U.S.C. sec. 415;

- 1 (33) "Participating" means an employee is currently earning service credit in the system  
2 as provided in KRS 16.543;
- 3 (34) "Month" means a calendar month;
- 4 (35) "Membership date" means the date upon which the member began participating in  
5 the system as provided by KRS 16.543;
- 6 (36) "Participant" means a member, as defined by subsection (21) of this section, or a  
7 retired member, as defined by subsection (11) of this section;
- 8 (37) "Qualified domestic relations order" means any judgment, decree, or order,  
9 including approval of a property settlement agreement, that:
- 10 (a) Is issued by a court or administrative agency; and
- 11 (b) Relates to the provision of child support, alimony payments, or marital  
12 property rights to an alternate payee;
- 13 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
14 participant, who is designated to be paid retirement benefits in a qualified domestic  
15 relations order;
- 16 (39) "Accumulated employer credit" means the employer pay credit deposited to the  
17 member's account and interest credited on such amounts as provided by KRS  
18 16.583; and
- 19 (40) "Accumulated account balance" means:
- 20 (a) For members who began participating in the system prior to January 1, 2014,  
21 the member's accumulated contributions; or
- 22 (b) For members who began participating in the system on or after January 1,  
23 2014, in the hybrid cash balance plan as provided by KRS 16.583, the  
24 combined sum of the member's accumulated contributions and the member's  
25 accumulated employer pay credit.

26 ➔Section 2. KRS 16.520 is amended to read as follows:

- 27 (1) Membership in the system shall consist of all regular full-time officers of the



1 Department of Kentucky State Police appointed pursuant to KRS 16.050 who are  
2 entitled to exercise the powers of peace officers~~except those who do not choose to~~  
3 ~~participate pursuant to KRS 61.545(3)].~~

4 (2) Membership in the system shall not include those employees who are  
5 simultaneously participating in another state-administered defined benefit plan  
6 within Kentucky other than those administered by the Kentucky Retirement  
7 Systems, except for employees who have ceased to contribute to one (1) of the  
8 state-administered retirement plans as provided in KRS 21.360.

9 ➔Section 3. KRS 16.582 is amended to read as follows:

10 (1) (a) Total and permanent disability means a disability which results in the  
11 member's incapacity to engage in any occupation for remuneration or profit.  
12 Loss by severance of both hands at or above the wrists, or both feet at or  
13 above the ankles, or one (1) hand above the wrist and one (1) foot above the  
14 ankle, or the complete, irrevocable loss of the sight of both eyes shall be  
15 considered as total and permanent.

16 (b) Hazardous disability means a disability which results in the member's total  
17 incapacity to continue as a regular full-time officer or as an employee in a  
18 hazardous position, as defined in KRS 61.592, but which does not result in the  
19 member's total and permanent incapacity to engage in other occupations for  
20 remuneration or profit.

21 (c) In determining whether the disability meets the requirement of this section,  
22 any reasonable accommodation provided by the employer as provided in 42  
23 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered.

24 (d) If the board determines that the total and permanent disability of a member  
25 receiving a retirement allowance under this section has ceased, then the board  
26 shall determine if the member has a hazardous disability.

27 (2) Any person may qualify to retire on disability, subject to the following:

- 1 (a) The person shall have sixty (60) months of service, twelve (12) of which shall  
2 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The  
3 service requirement shall be waived if the disability is a total and permanent  
4 disability or a hazardous disability and is a direct result of an act in line of  
5 duty;
- 6 (b) For a person whose membership date is prior to August 1, 2004, the person  
7 shall not be eligible for an unreduced retirement allowance;
- 8 (c) The person's application shall be on file in the retirement office no later than  
9 twenty-four (24) months after the person's last day of paid employment, as  
10 defined in KRS 16.505, as a regular full-time officer or in a regular full-time  
11 hazardous position under KRS 61.592;
- 12 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;  
13 and
- 14 (e) A person's disability application based on the same claim of incapacity shall  
15 be accepted and reconsidered for disability if accompanied by new objective  
16 medical evidence. The application shall be on file in the retirement office no  
17 later than twenty-four (24) months after the person's last day of paid  
18 employment as a regular full-time officer or in a regular full-time hazardous  
19 position.
- 20 (3) Upon the examination of the objective medical evidence by licensed physicians  
21 pursuant to KRS 61.665, it shall be determined that:
- 22 (a) The incapacity results from bodily injury, mental illness, or disease. For  
23 purposes of this section, "injury" means any physical harm or damage to the  
24 human organism other than disease or mental illness;
- 25 (b) The incapacity is deemed to be permanent; and
- 26 (c) The incapacity does not result directly or indirectly from:
- 27 1. Injury intentionally self-inflicted while sane or insane; or

- 1           2. ~~[Injury or disease resulting from military service; or~~  
2           3. ~~]~~ Bodily injury, mental illness, disease, or condition which pre-existed  
3           membership in the system or reemployment, whichever is most recent,  
4           unless:  
5           a.    The disability results from bodily injury, mental illness, disease, or  
6                a condition which has been substantially aggravated by an injury or  
7                accident arising out of or in the course of employment; or  
8           b.    The person has at least sixteen (16) years' current or prior service  
9                for employment with employers participating in the retirement  
10              systems administered by the Kentucky Retirement Systems.

11           For purposes of this subparagraph, "reemployment" shall not mean a  
12           change of employment between employers participating in the  
13           retirement systems administered by the Kentucky Retirement Systems  
14           with no loss of service credit.

- 15   (4)   (a)   1.   An incapacity shall be deemed to be permanent if it is expected to result  
16                in death or can be expected to last for a continuous period of not less  
17                than twelve (12) months from the person's last day of paid employment  
18                in a position as regular full-time officer or a hazardous position.  
19           2.    The determination of a permanent incapacity shall be based on the  
20                medical evidence contained in the member's file and the member's  
21                residual functional capacity and physical exertion requirements.  
22           (b)   The person's residual functional capacity shall be the person's capacity for  
23                work activity on a regular and continuing basis. The person's physical ability  
24                shall be assessed in light of the severity of the person's physical, mental, and  
25                other impairments. The person's ability to walk, stand, carry, push, pull, reach,  
26                handle, and other physical functions shall be considered with regard to  
27                physical impairments. The person's ability to understand, remember, and carry

1 out instructions and respond appropriately to supervision, coworkers, and  
2 work pressures in a work setting shall be considered with regard to mental  
3 impairments. Other impairments, including skin impairments, epilepsy, visual  
4 sensory impairments, postural and manipulative limitations, and  
5 environmental restrictions, shall be considered in conjunction with the  
6 person's physical and mental impairments to determine residual functional  
7 capacity.

8 (c) The person's physical exertion requirements shall be determined based on the  
9 following standards:

- 10 1. Sedentary work shall be work that involves lifting no more than ten (10)  
11 pounds at a time and occasionally lifting or carrying articles such as  
12 large files, ledgers, and small tools. Although a sedentary job primarily  
13 involves sitting, occasional walking and standing may also be required  
14 in the performance of duties.
- 15 2. Light work shall be work that involves lifting no more than twenty (20)  
16 pounds at a time with frequent lifting or carrying of objects weighing up  
17 to ten (10) pounds. A job shall be in this category if lifting is  
18 infrequently required but walking and standing are frequently required,  
19 or if the job primarily requires sitting with pushing and pulling of arm or  
20 leg controls. If the person has the ability to perform substantially all of  
21 these activities, the person shall be deemed capable of light work. A  
22 person deemed capable of light work shall be deemed capable of  
23 sedentary work unless the person has additional limitations such as the  
24 loss of fine dexterity or inability to sit for long periods.
- 25 3. Medium work shall be work that involves lifting no more than fifty (50)  
26 pounds at a time with frequent lifting or carrying of objects weighing up  
27 to twenty-five (25) pounds. If the person is deemed capable of medium

1 work, the person shall be deemed capable of light and sedentary work.

2 4. Heavy work shall be work that involves lifting no more than one  
3 hundred (100) pounds at a time with frequent lifting or carrying of  
4 objects weighing up to fifty (50) pounds. If the person is deemed capable  
5 of heavy work, the person shall also be deemed capable of medium,  
6 light, and sedentary work.

7 5. Very heavy work shall be work that involves lifting objects weighing  
8 more than one hundred (100) pounds at a time with frequent lifting or  
9 carrying of objects weighing fifty (50) or more pounds. If the person is  
10 deemed capable of very heavy work, the person shall be deemed capable  
11 of heavy, medium, light, and sedentary work.

12 (5) (a) The disability retirement allowance shall be determined as provided in KRS  
13 16.576, except if the member's total service credit on his last day of paid  
14 employment in a regular full-time position is less than twenty (20) years,  
15 service shall be added beginning with his last date of paid employment and  
16 continuing to his fifty-fifth birthday. The maximum service credit added shall  
17 not exceed the total service the member had on his last day of paid  
18 employment, and the maximum service credit for calculating his retirement  
19 allowance, including his total service and service added under this section,  
20 shall not exceed twenty (20) years.

21 (b) For a member whose participation begins on or after August 1, 2004, but prior  
22 to January 1, 2014, the disability retirement allowance shall be the higher of  
23 twenty-five percent (25%) of the member's monthly final rate of pay or the  
24 retirement allowance determined in the same manner as for retirement at his  
25 normal retirement date with years of service and final compensation being  
26 determined as of the date of his disability.

27 (c) For a member who begins participating on or after January 1, 2014, in the

1           hybrid cash balance plan as provided by KRS 16.583, the disability retirement  
2           allowance shall be the higher of twenty-five percent (25%) of the member's  
3           monthly final rate of pay or the retirement allowance determined in the same  
4           manner as for retirement at his or her normal retirement date under KRS  
5           16.583.

6       (6) If the member receives a satisfactory determination of total and permanent disability  
7           or hazardous disability pursuant to KRS 61.665 and the disability is the direct result  
8           of an act in line of duty, the member's retirement allowance shall be calculated as  
9           follows:

10       (a) For the disabled member, benefits as provided in subsection (5) of this section  
11           except that the monthly retirement allowance payable shall not be less than  
12           twenty-five percent (25%) of the member's monthly final rate of pay; and

13       (b) For each dependent child of the member on his disability retirement date, who  
14           is alive at the time any particular payment is due, a monthly payment equal to  
15           ten percent (10%) of the disabled member's monthly final rate of pay;  
16           however, total maximum dependent children's benefit shall not exceed forty  
17           percent (40%) of the member's monthly final rate of pay. The payments shall  
18           be payable to each dependent child, or to a legally appointed guardian or as  
19           directed by the system.

20       (7) No benefit provided in this section shall be reduced as a result of any change in the  
21           extent of disability of any retired member who is age fifty-five (55) or older.

22       (8) If a regular full-time officer or hazardous position member has been approved for  
23           benefits under a hazardous disability, the board shall, upon request of the member,  
24           permit the member to receive the hazardous disability allowance while accruing  
25           benefits in a nonhazardous position, subject to proper medical review of the  
26           nonhazardous position's job description by the system's medical examiner.

27       (9) For a member of the State Police Retirement System, in lieu of the allowance

1 provided in subsection (5) or (6) of this section, the member may be retained on the  
2 regular payroll and receive the compensation authorized by KRS 16.165, if he is  
3 qualified.

4 ➔Section 4. KRS 61.510 is amended to read as follows:

5 As used in KRS 61.510 to 61.705, unless the context otherwise requires:

- 6 (1) "System" means the Kentucky Employees Retirement System created by KRS  
7 61.510 to 61.705;
- 8 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 9 (3) "Department" means any state department or board or agency participating in the  
10 system in accordance with appropriate executive order, as provided in KRS 61.520.  
11 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the  
12 General Assembly and any other body, entity, or instrumentality designated by  
13 executive order by the Governor, shall be deemed to be a department,  
14 notwithstanding whether said body, entity, or instrumentality is an integral part of  
15 state government;
- 16 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 17 (5) "Employee" means the members, officers, and employees of the General Assembly  
18 and every regular full-time, appointed or elective officer or employee of a  
19 participating department, including the Department of Military Affairs. The term  
20 does not include persons engaged as independent contractors, seasonal, emergency,  
21 temporary, interim, and part-time workers. In case of any doubt, the board shall  
22 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 23 (6) "Employer" means a department or any authority of a department having the power  
24 to appoint or select an employee in the department, including the Senate and the  
25 House of Representatives, or any other entity, the employees of which are eligible  
26 for membership in the system pursuant to KRS 61.525;
- 27 (7) "State" means the Commonwealth of Kentucky;

- 1 (8) "Member" means any employee who is included in the membership of the system or  
2 any former employee whose membership has not been terminated under KRS  
3 61.535;
- 4 (9) "Service" means the total of current service and prior service as defined in this  
5 section;
- 6 (10) "Current service" means the number of years and months of employment as an  
7 employee, on and after July 1, 1956, except that for members, officers, and  
8 employees of the General Assembly this date shall be January 1, 1960, for which  
9 creditable compensation is paid and employee contributions deducted, except as  
10 otherwise provided, and each member, officer, and employee of the General  
11 Assembly shall be credited with a month of current service for each month he  
12 serves in the position;
- 13 (11) "Prior service" means the number of years and completed months, expressed as a  
14 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
15 creditable compensation was paid; except that for members, officers, and employees  
16 of the General Assembly, this date shall be January 1, 1960. An employee shall be  
17 credited with one (1) month of prior service only in those months he received  
18 compensation for at least one hundred (100) hours of work; provided, however, that  
19 each member, officer, and employee of the General Assembly shall be credited with  
20 a month of prior service for each month he served in the position prior to January 1,  
21 1960. Twelve (12) months of current service in the system are required to validate  
22 prior service;
- 23 (12) "Accumulated contributions" at any time means the sum of all amounts deducted  
24 from the compensation of a member and credited to his individual account in the  
25 members' account, including employee contributions picked up after August 1,  
26 1982, pursuant to KRS 61.560(4), together with interest credited on such amounts  
27 and any other amounts the member shall have contributed thereto, including interest



1 credited thereon. For members who begin participating on or after September 1,  
2 2008, "accumulated contributions" shall not include employee contributions that are  
3 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
4 funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS  
5 61.702(2)(b);

6 (13) "Creditable compensation":

7 (a) Means all salary, wages, tips to the extent the tips are reported for income tax  
8 purposes, and fees, including payments for compensatory time, paid to the  
9 employee as a result of services performed for the employer or for time during  
10 which the member is on paid leave, which are includable on the member's  
11 federal form W-2 wage and tax statement under the heading "wages, tips,  
12 other compensation," including employee contributions picked up after  
13 August 1, 1982, pursuant to KRS 61.560(4). For members of the General  
14 Assembly, it shall mean all amounts which are includable on the member's  
15 federal form W-2 wage and tax statement under the heading "wages, tips,  
16 other compensation," including employee contributions picked up after  
17 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);[-]

18 (b) Includes:[A-]

19 1. Lump-sum bonuses[bonus], severance pay, or employer-provided  
20 payments[payment] for purchase of service credit, which[shall be  
21 ~~included as creditable compensation but~~] shall be averaged over the  
22 employee's total service with the system in which it is recorded if it is  
23 equal to or greater than one thousand dollars (\$1,000);[-]

24 2. [In-]Cases where compensation includes maintenance and other  
25 perquisites, but the board shall fix the value of that part of the  
26 compensation not paid in money;[-]

27 3. Lump-sum payments for creditable compensation paid as a result of

1 an order of a court of competent jurisdiction, the Personnel Board, or  
2 the Commission on Human Rights, or for any creditable  
3 compensation paid in anticipation of settlement of an action before a  
4 court of competent jurisdiction, the Personnel Board, or the  
5 Commission on Human Rights, including notices of violations of state  
6 or federal wage and hour statutes or violations of state or federal  
7 discrimination statutes, which shall be credited to the fiscal year  
8 during which the wages were earned or should have been paid by the  
9 employer. This subparagraph shall also include lump-sum payments  
10 for reinstated wages pursuant to KRS 61.569, which shall be credited  
11 to the period during which the wages were earned or should have been  
12 paid by the employer;

13 4. Amounts which are not includable in the member's gross income by  
14 virtue of the member having taken a voluntary salary reduction  
15 provided for under applicable provisions of the Internal Revenue  
16 Code; and

17 5. Elective amounts for qualified transportation fringes paid or made  
18 available on or after January 1, 2001, for calendar years on or after  
19 January 1, 2001, that are not includable in the gross income of the  
20 employee by reason of 26 U.S.C. sec. 132(f)(4); and

21 (c) Excludes:

22 1. Living allowances, expense reimbursements, lump-sum payments for  
23 accrued vacation leave, and other items determined by the board; ~~shall~~  
24 ~~be excluded. Creditable compensation shall also include amounts which~~  
25 ~~are not includable in the member's gross income by virtue of the member~~  
26 ~~having taken a voluntary salary reduction provided for under applicable~~  
27 ~~provisions of the Internal Revenue Code. Creditable compensation shall~~

1           ~~also include elective amounts for qualified transportation fringes paid or~~  
2           ~~made available on or after January 1, 2001, for calendar years on or after~~  
3           ~~January 1, 2001, that are not includable in the gross income of the~~  
4           ~~employee by reason of 26 U.S.C. sec. 132(f)(4).]~~

5           2. For employees who begin participating on or after September 1, 2008,  
6           ~~lump-sum~~~~[creditable compensation shall not include]~~ payments for  
7           compensatory time; and~~[-]~~

8           3. For employees who begin participating on or after August 1, 2016,  
9           ~~[creditable compensation shall exclude]~~ nominal fees paid for services  
10          as a volunteer;

11       (14) "Final compensation" of a member means:

12           (a) For a member who begins participating before September 1, 2008, who is not  
13           employed in a hazardous position, as provided in KRS 61.592, the creditable  
14           compensation of the member during the five (5) fiscal years he was paid at the  
15           highest average monthly rate divided by the number of months of service  
16           credit during that five (5) year period multiplied by twelve (12). The five (5)  
17           years may be fractional and need not be consecutive. If the number of months  
18           of service credit during the five (5) year period is less than forty-eight (48),  
19           one (1) or more additional fiscal years shall be used;

20           (b) For a member who is not employed in a hazardous position, as provided in  
21           KRS 61.592, whose effective retirement date is between August 1, 2001, and  
22           January 1, 2009, and whose total service credit is at least twenty-seven (27)  
23           years and whose age and years of service total at least seventy-five (75), final  
24           compensation means the creditable compensation of the member during the  
25           three (3) fiscal years the member was paid at the highest average monthly rate  
26           divided by the number of months of service credit during that three (3) years  
27           period multiplied by twelve (12). The three (3) years may be fractional and

1 need not be consecutive. If the number of months of service credit during the  
2 three (3) year period is less than twenty-four (24), one (1) or more additional  
3 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the  
4 funding for this paragraph shall be provided from existing funds of the  
5 retirement allowance;

6 (c) For a member who begins participating before September 1, 2008, who is  
7 employed in a hazardous position, as provided in KRS 61.592, the creditable  
8 compensation of the member during the three (3) fiscal years he was paid at  
9 the highest average monthly rate divided by the number of months of service  
10 credit during that three (3) year period multiplied by twelve (12). The three (3)  
11 years may be fractional and need not be consecutive. If the number of months  
12 of service credit during the three (3) year period is less than twenty-four (24),  
13 one (1) or more additional fiscal years shall be used;

14 (d) For a member who begins participating on or after September 1, 2008, but  
15 prior to January 1, 2014, who is not employed in a hazardous position, as  
16 provided in KRS 61.592, the creditable compensation of the member during  
17 the five (5) complete fiscal years immediately preceding retirement divided by  
18 five (5). Each fiscal year used to determine final compensation must contain  
19 twelve (12) months of service credit. If the member does not have five (5)  
20 complete fiscal years that each contain twelve (12) months of service credit,  
21 then one (1) or more additional fiscal years shall be used; or

22 (e) For a member who begins participating on or after September 1, 2008, but  
23 prior to January 1, 2014, who is employed in a hazardous position, as  
24 provided in KRS 61.592, the creditable compensation of the member during  
25 the three (3) complete fiscal years he was paid at the highest average monthly  
26 rate divided by three (3). Each fiscal year used to determine final  
27 compensation must contain twelve (12) months of service credit;

- 1 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
2 calculated during the twelve (12) month period immediately preceding the  
3 member's effective retirement date, including employee contributions picked up  
4 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the  
5 system by the employer and the following equivalents shall be used to convert the  
6 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
7 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour  
8 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,  
9 one (1) year;
- 10 (16) "Retirement allowance" means the retirement payments to which a member is  
11 entitled;
- 12 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
13 basis of the actuarial tables that are adopted by the board. In cases of disability  
14 retirement, the options authorized by KRS 61.635 shall be computed by adding ten  
15 (10) years to the age of the member, unless the member has chosen the Social  
16 Security adjustment option as provided for in KRS 61.635(8), in which case the  
17 member's actual age shall be used. For members who began participating in the  
18 system prior to January 1, 2014, no disability retirement option shall be less than the  
19 same option computed under early retirement;
- 20 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless  
21 otherwise provided in KRS 61.510 to 61.705;
- 22 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
23 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
24 limitation year used to determine contribution and benefit limits as established by  
25 26 U.S.C. sec. 415;
- 26 (20) "Officers and employees of the General Assembly" means the occupants of those  
27 positions enumerated in KRS 6.150. The term shall also apply to assistants who

1        were employed by the General Assembly for at least one (1) regular legislative  
2        session prior to July 13, 2004, who elect to participate in the retirement system, and  
3        who serve for at least six (6) regular legislative sessions. Assistants hired after July  
4        13, 2004, shall be designated as interim employees;

5        (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean  
6        all positions that average one hundred (100) or more hours per month determined by  
7        using the number of months actually worked within a calendar or fiscal year,  
8        including all positions except:

9        (a)    Seasonal positions, which although temporary in duration, are positions which  
10        coincide in duration with a particular season or seasons of the year and which  
11        may recur regularly from year to year, the period of time shall not exceed nine  
12        (9) months;

13        (b)    Emergency positions which are positions which do not exceed thirty (30)  
14        working days and are nonrenewable;

15        (c)    Temporary positions which are positions of employment with a participating  
16        department for a period of time not to exceed nine (9) months and are  
17        nonrenewable;

18        (d)    Part-time positions which are positions which may be permanent in duration,  
19        but which require less than a calendar or fiscal year average of one hundred  
20        (100) hours of work per month, determined by using the number of months  
21        actually worked within a calendar or fiscal year, in the performance of duty;  
22        and

23        (e)    Interim positions which are positions established for a one-time or recurring  
24        need not to exceed nine (9) months;

25        (22) "Delayed contribution payment" means an amount paid by an employee for  
26        purchase of current service. The amount shall be determined using the same formula  
27        in KRS 61.5525, and the payment shall not be picked up by the employer. A

- 1 delayed contribution payment shall be deposited to the member's account and  
2 considered as accumulated contributions of the individual member. In determining  
3 payments under this subsection, the formula found in this subsection shall prevail  
4 over the one found in KRS 212.434;
- 5 (23) "Parted employer" means a department, portion of a department, board, or agency,  
6 such as Outwood Hospital and School, which previously participated in the system,  
7 but due to lease or other contractual arrangement is now operated by a publicly held  
8 corporation or other similar organization, and therefore is no longer participating in  
9 the system. The term "parted employer" shall not include a department, board, or  
10 agency that ceased participation in the system pursuant to KRS 61.522;
- 11 (24) "Retired member" means any former member receiving a retirement allowance or  
12 any former member who has filed the necessary documents for retirement benefits  
13 and is no longer contributing to the retirement system;
- 14 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
15 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
16 pay. The rate shall be certified by the employer;
- 17 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by  
18 the member in accordance with KRS 61.542 or 61.705 to receive any available  
19 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"  
20 does not mean an estate, trust, or trustee;
- 21 (27) "Recipient" means the retired member or the person or persons designated as  
22 beneficiary by the member and drawing a retirement allowance as a result of the  
23 member's death or a dependent child drawing a retirement allowance. An alternate  
24 payee of a qualified domestic relations order shall not be considered a recipient,  
25 except for purposes of KRS 61.623;
- 26 (28) "Level-percentage-of-payroll amortization method" means a method of determining  
27 the annual amortization payment on the unfunded actuarial accrued liability as

- 1       expressed as a percentage of payroll over a set period of years. Under this method,  
2       the percentage of payroll shall be projected to remain constant for all years  
3       remaining in the set period and the unfunded actuarially accrued liability shall be  
4       projected to be fully amortized at the conclusion of the set period;
- 5       (29) "Increment" means twelve (12) months of service credit which are purchased. The  
6       twelve (12) months need not be consecutive. The final increment may be less than  
7       twelve (12) months;
- 8       (30) "Person" means a natural person;
- 9       (31) "Retirement office" means the Kentucky Retirement Systems office building in  
10       Frankfort;
- 11       (32) "Last day of paid employment" means the last date employer and employee  
12       contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
13       78.615 to the retirement office in order for the employee to receive current service  
14       credit for the month. Last day of paid employment does not mean a date the  
15       employee receives payment for accrued leave, whether by lump sum or otherwise, if  
16       that date occurs twenty-four (24) or more months after previous contributions;
- 17       (33) "Objective medical evidence" means reports of examinations or treatments; medical  
18       signs which are anatomical, physiological, or psychological abnormalities that can  
19       be observed; psychiatric signs which are medically demonstrable phenomena  
20       indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
21       or contact with reality; or laboratory findings which are anatomical, physiological,  
22       or psychological phenomena that can be shown by medically acceptable laboratory  
23       diagnostic techniques, including but not limited to chemical tests,  
24       electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 25       (34) "Participating" means an employee is currently earning service credit in the system  
26       as provided in KRS 61.543;
- 27       (35) "Month" means a calendar month;



1 (36) "Membership date" means:

2 (a) The date upon which the member began participating in the system as  
3 provided in KRS 61.543; or

4 (b) For a member electing to participate in the system pursuant to KRS  
5 196.167(4) who has not previously participated in the system or the Kentucky  
6 Teachers' Retirement System, the date the member began participating in a  
7 defined contribution plan that meets the requirements of 26 U.S.C. sec.  
8 403(b);

9 (37) "Participant" means a member, as defined by subsection (8) of this section, or a  
10 retired member, as defined by subsection (24) of this section;

11 (38) "Qualified domestic relations order" means any judgment, decree, or order,  
12 including approval of a property settlement agreement, that:

13 (a) Is issued by a court or administrative agency; and

14 (b) Relates to the provision of child support, alimony payments, or marital  
15 property rights to an alternate payee;

16 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
17 participant, who is designated to be paid retirement benefits in a qualified domestic  
18 relations order;

19 (40) "Accumulated employer credit" mean the employer pay credit deposited to the  
20 member's account and interest credited on such amounts as provided by KRS  
21 16.583 and 61.597;

22 (41) "Accumulated account balance" means:

23 (a) For members who began participating in the system prior to January 1, 2014,  
24 the member's accumulated contributions; or

25 (b) For members who began participating in the system on or after January 1,  
26 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,  
27 the combined sum of the member's accumulated contributions and the

1 member's accumulated employer credit;

2 (42) "Volunteer" means an individual who:

3 (a) Freely and without pressure or coercion performs hours of service for an  
4 employer participating in one (1) of the systems administered by Kentucky  
5 Retirement Systems without receipt of compensation for services rendered,  
6 except for reimbursement of actual expenses, payment of a nominal fee to  
7 offset the costs of performing the voluntary services, or both; and

8 (b) If a retired member, does not become an employee, leased employee, or  
9 independent contractor of the employer for which he or she is performing  
10 volunteer services for a period of at least twenty-four (24) months following  
11 the retired member's most recent retirement date; and

12 (43) "Nominal fee" means compensation earned for services as a volunteer that does not  
13 exceed five hundred dollars (\$500) per month. Compensation earned for services as  
14 a volunteer from more than one (1) participating employer during a month shall be  
15 aggregated to determine whether the compensation exceeds the five hundred dollars  
16 (\$500) per month maximum provided by this subsection.

17 ➔Section 5. KRS 61.525 is amended to read as follows:

18 Membership in the system shall consist of the following:

19 (1) All persons who become employees of a participating department after the date such  
20 department first participates in the system~~[- except a person who did not elect~~  
21 ~~membership pursuant to KRS 61.545(3)]~~;

22 (2) (a) All persons who are employees of a department on the date the department  
23 first participates in the system, either in service or on authorized leave from  
24 service, and who elect within thirty (30) days following the department's  
25 participation, or in the case of persons on authorized leave, within thirty (30)  
26 days of their return to active service, to become members and thereby agree to  
27 make contributions as provided in KRS 61.515 to 61.705;

- 1 (b) All persons who are employees of a department who did not elect to  
2 participate within thirty (30) days of the date the department first participated  
3 in the system or within thirty (30) days of their return to active service and  
4 who subsequently elect to participate the first day of a month after the  
5 department's date of participation;
- 6 (3) All persons who are employees of any credit union whose membership was initially  
7 limited to employees of state government and their families and which subsequently  
8 may have been extended to local government employees and their families;
- 9 (4) All persons who were professional staff employees of the Council on Postsecondary  
10 Education or the Higher Education Assistance Authority and were contributing to  
11 the system on the effective date of Executive Order 74-762 or 75-964, respectively,  
12 and file a written election of their desire to continue in the system and all  
13 administrative and professional staff employees of the Higher Education Assistance  
14 Authority who, on or after January 1, 1993, are not participating in another  
15 retirement plan sponsored by the Higher Education Assistance Authority;
- 16 (5) All persons who were professional staff employees of the Kentucky Authority for  
17 Educational Television on and after July 1, 1974;
- 18 (6) All persons who are employees of the Teachers' Retirement System except  
19 employees who are required to participate under the Teachers' Retirement System  
20 under KRS 161.220(4)(d);
- 21 (7) Membership in the system shall not include persons who are not eligible to  
22 participate in the system as provided by KRS 61.522 or those employees who are  
23 simultaneously participating in another state-administered defined benefit plan  
24 within Kentucky other than those administered by the Kentucky Retirement  
25 Systems, except for employees who have ceased to contribute to one (1) of the  
26 state-administered retirement plans as provided in KRS 21.360; and
- 27 (8) Effective January 1, 1998, employees of the Kentucky Community and Technical

1 College System who were previously contributing members and are not required to  
2 participate in the Teachers' Retirement System as a member; employees who were  
3 previously contributing members transferred from the former Cabinet for  
4 Workforce Development as provided in KRS 164.5805(1)(a) and who have not  
5 exercised the option to participate in the new Kentucky Community and Technical  
6 College personnel system as provided in KRS 164.5805(1)(e); and new employees  
7 as of July 1, 1997, who are not eligible under the Teachers' Retirement System or  
8 who are not contributing to an optional retirement plan established by the board of  
9 regents for the Kentucky Community and Technical College System.

10 ➔Section 6. KRS 61.526 is amended to read as follows:

- 11 (1) Each employee on becoming a member of the Kentucky Employees Retirement  
12 System ~~may~~~~shall have on~~ file in the retirement office, in the form as the board  
13 may prescribe, a statement of facts pertaining to the member. The statement shall  
14 include a record of military service, previous employment with the employer, and  
15 such other information as the system may require.
- 16 (2) If the records of the Personnel Cabinet or the department employing the member  
17 during the time the service was rendered do not substantiate the statement of  
18 service, the member shall be notified of any discrepancy. The member shall be  
19 advised that he has the responsibility of supplying verification of any  
20 unsubstantiated service.
- 21 (3) At the request of the member, or the beneficiary if the member is deceased, the  
22 executive director shall arrange a time and place to receive additional information in  
23 regard to the unverified service. After filing the request, the member or the  
24 beneficiary if the member is deceased, shall have a reasonable time but no more  
25 than six (6) months to present the additional information to substantiate the  
26 unverified service.
- 27 (4) The system may at any time conduct an audit of the employing department pursuant

1 to KRS 61.675.

2 **(5) The system may allow a member to retire or obtain a refund without the member**  
3 **submitting a statement of facts pertaining to the member as described by this**  
4 **section.**

5 ➔Section 7. KRS 61.542 is amended to read as follows:

6 (1) Prior to the first day of the month in which the member receives his or her first  
7 retirement allowance and prior to the member filing a notification of retirement or a  
8 request for refund:

9 (a) Each member may designate on the form prescribed by the board a principal  
10 beneficiary and contingent beneficiary for his or her account. The principal  
11 beneficiary or contingent beneficiary designated by the member shall be:

- 12 1. One (1) or more persons; or
- 13 2. The member's estate; or
- 14 3. A trust;

15 (b) If multiple persons are designated as provided by paragraph (a)1. of this  
16 subsection, the member shall indicate the percentage of total benefits each  
17 person is to receive.

- 18 1. If percentages are not indicated, payments will be disbursed equally to  
19 the named beneficiaries.
- 20 2. If the percentages indicated do not total one hundred percent (100%),  
21 each beneficiary shall receive an increased or decreased percentage  
22 which is proportional to the percentage allotted him or her by the  
23 member.
- 24 3. If any of the multiple beneficiaries die prior to the member's death, the  
25 remaining beneficiaries shall be entitled to the deceased beneficiary's  
26 percentage of the total benefits, and each shall receive a percentage of  
27 the deceased's share which is equal to the percentage allotted them by

1 the member;~~and~~

2 (c) The principal and contingent beneficiary designation established by the  
3 member pursuant to paragraph (a) of this subsection shall remain in full force  
4 and effect until changed by the member, except:

5 1. A final divorce decree terminates an ex-spouse's status as beneficiary,  
6 unless the member has on file in the retirement office a beneficiary  
7 designation that redesignates the ex-spouse as beneficiary subsequent to  
8 the issuance of the divorce decree;

9 2. If a beneficiary or beneficiaries are convicted of any crime which  
10 prohibits that person or persons from receiving the benefits under KRS  
11 381.280, the beneficiary or beneficiaries shall not be eligible for any of  
12 the benefits and the remaining beneficiary or beneficiaries or, if none,  
13 the member's estate, shall become the beneficiary; and

14 3. When a notification of retirement has been filed at the retirement office,  
15 the designation of beneficiary on the notification of retirement, which  
16 shall be one (1) person, his estate, or a trust, shall supersede the  
17 designation of all previous beneficiaries, unless the notification of  
18 retirement is withdrawn, invalid, or voided. If the notification of  
19 retirement is withdrawn, invalid, or voided, the prior beneficiary  
20 designation on file with the system shall remain in full force and effect  
21 until changed by the member; and

22 ~~[4. When a request for refund has been filed at the retirement office, the~~  
23 ~~member's estate shall become the member's beneficiary if the member~~  
24 ~~dies.]~~

25 (d) Except as provided by paragraph (c)3. of this subsection, if the member fails  
26 to designate a beneficiary for his or her account or if the beneficiary  
27 designation is determined to be void by the system, the member's estate shall

1                   *become the beneficiary.*

2       (2) If the member dies prior to the first day of the month in which the member would  
3       have received his or her first retirement allowance and prior to filing a notification  
4       of retirement or a request for refund, any retirement benefits shall be payable to the  
5       principal beneficiary, except that:

6           (a) If the death of the principal beneficiary or beneficiaries precedes the death of  
7           the member, or if the principal beneficiary is terminated by a divorce decree,  
8           the contingent beneficiary or beneficiaries become the principal beneficiary or  
9           beneficiaries;

10          (b) If the principal beneficiary is one (1) person and is the member's spouse and  
11          they are divorced on the date of the member's death, the contingent beneficiary  
12          or beneficiaries become the principal beneficiary or beneficiaries;

13          (c) If the member is survived by his principal beneficiary or beneficiaries who  
14          subsequently die prior to having on file at the retirement office the necessary  
15          forms prescribed under authority of KRS 61.590, the contingent beneficiary  
16          shall become the principal beneficiary or beneficiaries; and

17          (d) If the deaths of all the principal beneficiaries and all of the contingent  
18          beneficiaries precede the death of the member, the estate of the member  
19          becomes the beneficiary.

20       (3) Prior to the first day of the month in which the member would have received his or  
21       her first retirement allowance, a monthly benefit payable for life shall not be offered  
22       if the beneficiary designated under subsection (1) of this section is more than one  
23       (1) person, the member's estate, or a trust.

24       (4) When a notification of retirement has been filed at the retirement office:

25           (a) The designation of beneficiary on the notification of retirement shall  
26           supersede the designation of all previous beneficiaries;

27           (b) The beneficiary designated by the member on the member's notification of

1 retirement shall be one (1) person, the member's estate, or a trust; and

2 (c) If the death of the beneficiary named on the notification of retirement precedes  
3 the first day of the month in which the member receives his or her first  
4 retirement allowance, the member may designate another beneficiary on the  
5 member's notification of retirement.

6 (5) **On or** after the first day of the month in which the member receives his or her first  
7 retirement allowance~~[- and subsequent thereto]~~, **the**~~[a]~~ member shall not have the  
8 right to change his beneficiary, except that:

9 (a) The estate of the retired member becomes the beneficiary if the date of death  
10 of the beneficiary precedes or coincides with the date of death of the retired  
11 member;

12 (b) The estate of the retired member becomes the beneficiary if the retired  
13 member had designated a person as beneficiary who was the spouse or who  
14 later married the member and they were divorced on the date of the retired  
15 member's death. An ex-spouse who was the named beneficiary on the  
16 member's notification of retirement shall be reinstated as the member's  
17 beneficiary for the payment options provided by KRS 61.635(2), (3), (4), and  
18 (8)(b) if they are remarried to each other as of the date of the retired member's  
19 death; and

20 (c) The estate of the member shall not receive monthly payments if the member  
21 selected one (1) of the payment options provided by KRS 61.635(2), (3), (4),  
22 and (8)(b).

23 **(6) Following cessation of membership as provided by KRS 61.535, no beneficiary**  
24 **designation in one (1) account shall be effective for any new retirement account**  
25 **established pursuant to KRS 61.637 or 61.680. If the member fails to designate a**  
26 **beneficiary for his or her new retirement account or if the beneficiary**  
27 **designation is determined to be void by the system, the member's estate shall**



1       **become the beneficiary.**

2       ➔Section 8. KRS 61.545 is amended to read as follows:

3       (1) The board shall determine by appropriate administrative regulations how much  
4       service in any year is the equivalent of a year of service credit and how much  
5       service in any calendar month is the equivalent of a month of service credit. It shall  
6       not allow credit for more than one (1) year of service for all service rendered in any  
7       period of twelve (12) consecutive months except as provided in KRS 61.546 and in  
8       subsection (2) of this section.

9       (2) (a) Employees participating in one (1) of the state-administered retirement  
10       systems who are or have been employed by a school board participating in the  
11       County Employees Retirement System, a state-operated school under KRS  
12       Chapter 167, a participating community action agency, or a Kentucky  
13       institution of higher education which participates in the Kentucky Employees  
14       Retirement System, and who receive service credit for less than twelve (12)  
15       months each year, may purchase the additional months of service credit  
16       needed to total one (1) year of service credit except the amount purchased  
17       shall not exceed three (3) months. The employee may purchase the service  
18       credit by paying the retirement system a delayed contribution payment **in**  
19       **accordance with the payment options and restrictions established by**  
20       **subsection (14) of Section 9 of this Act.** Employees who have service credit  
21       prior to July 1, 1992, or their employers, the state-operated school under KRS  
22       Chapter 167, the Kentucky institution of higher education, or the school board  
23       may purchase service credit on behalf of the employee for previous years by  
24       paying the retirement system the delayed contribution payment **in accordance**  
25       **with the payment options and restrictions established by subsection (14) of**  
26       **Section 9 of this Act.**

27       (b) The cost of service under this subsection may be paid by both the employer

1 and employee. The employer shall pay fifty percent (50%) of the cost and the  
2 employee shall pay fifty percent (50%) of the cost. The payment by the  
3 employer shall not be deposited to the member's account. Service credit shall  
4 not be credited to the member's account until both the employer's and  
5 employee's payment are received by the retirement system.

6 (c) If the employee has purchased service credit under this subsection based on  
7 months reported by the employer for the fiscal year, and an audit of the  
8 employee's account reduces the number of months of service credit for which  
9 the employee is eligible to no fewer than nine (9) months, the employee shall  
10 retain credit for the months purchased unless the employee is ineligible for  
11 any service in the fiscal year. The employee shall be eligible to purchase the  
12 additional months under this subsection to total one (1) year.

13 (d) This subsection shall not apply to members who begin participating in the  
14 systems administered by Kentucky Retirement Systems on or after January 1,  
15 2014.

16 (3) (a) ~~[An employee who is simultaneously eligible for membership in more than~~  
17 ~~one (1) retirement system administered by the Kentucky Retirement Systems~~  
18 ~~may, at his option, choose to participate in only one (1) of those systems. The~~  
19 ~~choice, once made, shall remain in effect so long as the employee is eligible~~  
20 ~~for membership in more than one (1) system.~~

21 ~~(b)~~ If an~~the~~ employee participates in more than one (1) of the retirement  
22 systems administered by the Kentucky Retirement Systems, the employee's  
23 service credit shall be divided between each system determined by dividing  
24 the employee's creditable compensation in each system by the employee's total  
25 creditable compensation in all systems.

26 ~~(b)(e)~~ If an~~the~~ employee earns creditable compensation in both a hazardous  
27 position, as defined by KRS 61.592, and a nonhazardous position, the

1 employee's service credit shall be divided between the employee's hazardous  
2 and nonhazardous positions determined by dividing the employee's creditable  
3 compensation in the hazardous and nonhazardous positions by the employee's  
4 combined hazardous and nonhazardous creditable compensation.

5 ➔Section 9. KRS 61.552 is amended to read as follows:

6 (1) (a) Any employee participating in one (1) of the state-administered retirement  
7 systems who has been refunded his accumulated account balance under the  
8 provisions of KRS 16.645(21), 61.625, or 78.545(15), thereby losing service  
9 credit, may regain the credit by paying to the system from which he received  
10 the refund or refunds the amount or amounts refunded with interest at a rate  
11 determined by the board of the respective retirement system.~~[- The payment,~~  
12 ~~including interest as determined by the board, shall be deposited to the~~  
13 ~~member's account and considered as accumulated contributions of the~~  
14 ~~individual member. The payments shall not be picked up, as described in KRS~~  
15 ~~61.560(4), by the employer.]~~

16 (b) Service purchased under this subsection shall not be used in determining a  
17 retirement allowance until the member has accrued at least six (6) months  
18 of service credit in a state-administered retirement system, excluding the  
19 service purchased under this subsection. If the member does not accrue at  
20 least six (6) months of service credit in a state-administered retirement  
21 system, excluding service purchased under this subsection, then the  
22 payment plus interest as provided in KRS 61.575 shall be refunded upon  
23 retirement, death, or written request following termination of employment.  
24 The service requirement shall be waived if the member dies or becomes  
25 disabled as provided for by KRS 16.582, 61.600, or 61.621.

26 (c) Service purchased under this subsection on or after January 1, 2014, shall not  
27 be used to determine the member's participation date in the system.

- 1 (2) Any employee participating in one (1) of the retirement systems administered by  
2 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
3 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
4 (65) in the systems administered by the Kentucky Retirement Systems, and who did  
5 not elect membership in the County Employees Retirement System, as provided in  
6 KRS 78.540(2), may **purchase service**~~[obtain]~~ credit in the County Employees  
7 Retirement System for ~~[prior service and for current service by paying to the County~~  
8 ~~Employees Retirement System a delayed contribution payment for]~~ the service he  
9 would have received had he elected membership.~~[The delayed contribution~~  
10 ~~payment shall not be picked up, as described in KRS 61.560(4), by the employer.~~  
11 ~~Payment may be by lump sum or the employee may pay by increments.]~~
- 12 (3) Any employee participating in one (1) of the retirement systems administered by  
13 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
14 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
15 (65) in the systems administered by the Kentucky Retirement Systems, and who did  
16 not elect membership in the Kentucky Employees Retirement System, as provided  
17 in KRS 61.525(2), may **purchase service**~~[obtain]~~ credit in the Kentucky Employees  
18 Retirement System for ~~[prior service and for current service by paying to the system~~  
19 ~~a delayed contribution payment for]~~ the service he would have received had he  
20 elected membership.~~[The delayed contribution payment shall not be picked up, as~~  
21 ~~described in KRS 61.560(4), by the employer. Payment may be by lump sum or the~~  
22 ~~employee may pay by increments.]~~
- 23 (4) An employee participating in one (1) of the retirement systems administered by  
24 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
25 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
26 (65) in the systems administered by the Kentucky Retirement Systems, may  
27 **purchase service**~~[obtain]~~ credit in the Kentucky Employees Retirement System for

1 ~~{current}~~ service between July 1, 1956, and the effective date of participation of his  
2 department~~[by paying to the system a delayed contribution payment for the service~~  
3 ~~he would have received had his department participated on July 1, 1956. The~~  
4 ~~delayed contribution payment shall not be picked up, as described in KRS~~  
5 ~~61.560(4), by the employer. Payment may be by lump sum or the employee may pay~~  
6 ~~by increments].~~

7 (5) (a) An employee participating in one (1) of the retirement systems administered  
8 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
9 service if age sixty-five (65) or at least sixty (60) months of service if under  
10 age sixty-five (65) in the systems administered by the Kentucky Retirement  
11 Systems, may **purchase service**~~{obtain}~~ credit in the County Employees  
12 Retirement System for ~~{current}~~ service between July 1, 1958, and the  
13 effective date of participation of his county~~[by paying to the County~~  
14 ~~Employees Retirement System a delayed contribution payment for the service~~  
15 ~~he would have received had his county participated on July 1, 1958. The~~  
16 ~~delayed contribution payment shall not be picked up, as described in KRS~~  
17 ~~61.560(4), by the employer].~~

18 (b) An employee participating in one (1) of the retirement systems administered  
19 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
20 service if age sixty-five (65) or at least sixty (60) months of service if under  
21 age sixty-five (65) in the systems administered by Kentucky Retirement  
22 Systems may **purchase service**~~{obtain}~~ credit for the period of his service with  
23 an area development district created pursuant to KRS 147A.050 or with a  
24 business development corporation created pursuant to KRS 155.001 to  
25 155.230 if that service was not covered by a state-administered retirement  
26 system. ~~{The member shall pay to the retirement system in which he~~  
27 ~~participates a delayed contribution payment, as determined by the board's~~

1           ~~actuary.~~ The employee may obtain credit for employment with a business  
 2           development corporation only if the Kentucky Retirement Systems receives a  
 3           favorable private letter ruling from the United States Internal Revenue Service  
 4           or a favorable opinion letter from the United States Department of Labor.~~]~~  
 5           ~~Payment may be by lump sum or the employee may pay by increments.]~~

6   (6) ~~[After August 1, 2000, service credit obtained under the subsections of this section~~  
 7       ~~which do not require the employee to have a minimum number of years of service~~  
 8       ~~credit to be eligible to make a purchase shall be disallowed and the recontribution of~~  
 9       ~~refund, including interest as determined by the board or other payment, if any, shall~~  
 10      ~~be paid to the member if the member does not obtain for service performed six (6)~~  
 11      ~~months' additional current service credit in one (1) of the state administered~~  
 12      ~~retirement systems. The service requirement shall be waived if the member dies or~~  
 13      ~~becomes disabled as provided for by KRS 16.582 or 61.600.~~

14   (7) ~~]~~ The member~~[members]~~ shall not receive ~~[benefit of ]~~service credit for the same  
 15       period of time in which the member has service credit in one (1) of the systems  
 16       administered by Kentucky Retirement Systems or another public defined benefit  
 17       retirement fund.

18   ~~(7)~~~~(8)~~ Any employee participating in one (1) of the retirement systems administered  
 19       by Kentucky Retirement Systems who has at least forty-eight (48) months' service if  
 20       age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)  
 21       in the retirement systems administered by the Kentucky Retirement Systems, who  
 22       formerly worked for a state university in a nonteaching position which would have  
 23       qualified as a regular full-time position had the university been a participating  
 24       department, and who did not participate in a defined benefit retirement program at  
 25       the university, may purchase service~~[obtain]~~ credit in any of the systems  
 26       administered by Kentucky Retirement Systems in which the employee is a  
 27       member~~[ in the employee's account in the County Employees Retirement System,~~

1     ~~the Kentucky Employees Retirement System, or the State Police Retirement System~~  
2     ~~for prior and current service by paying either retirement system a delayed~~  
3     ~~contribution payment]~~ for the service he would have received had his period of  
4     university employment been covered by the County Employees **Retirement System**,  
5     Kentucky Employees Retirement System, or State Police Retirement System.~~[The~~  
6     ~~delayed contribution payment shall not be picked up, as described in KRS~~  
7     ~~61.560(4), by the employer. Payment may be by lump sum, or the employee may~~  
8     ~~pay by increments.]~~

- 9     (8)~~[(9)]~~ (a) Effective August 1, 1980, any county participating in the County  
10     Employees Retirement System may purchase current service, between July 1,  
11     1958, and participation date of the county, for present employees of the county  
12     who have obtained coverage under KRS 78.540(2);
- 13     (b) Effective July 1, 1973, any department participating in the Kentucky  
14     Employees Retirement System may purchase current service between July 1,  
15     1956, and participation date of the department, for present employees of the  
16     department who were employees on the participation date of the department  
17     and elected coverage under KRS 61.525(2);
- 18     (c) Cost of the service credit purchased under this subsection shall be determined  
19     by computing the discounted value of the additional service credit based on an  
20     actuarial formula recommended by the board's consulting actuary and  
21     approved by the board. A department shall make payment for the service  
22     credit within the same fiscal year in which the option is elected. The county  
23     shall establish a payment schedule subject to approval by the board for  
24     payment of the service credit. The maximum period allowed in a payment  
25     schedule shall be ten (10) years with interest at the rate actuarially assumed by  
26     the board; however, a shorter period is desirable and the board may approve  
27     any schedule provided it is not longer than a ten (10) year period;

1 (d) If a county or department elects the provisions of this subsection, any present  
2 employee who would be eligible to receive service credit under the provisions  
3 of this subsection and has purchased service credit under subsection (4) or (5)  
4 of this section shall have his payment for the service credit refunded with  
5 interest at the rate paid under KRS 61.575 or 78.640;

6 (e) Any payments made by a county or department under this subsection shall be  
7 deposited to the retirement allowance account of the proper retirement system  
8 and these funds shall not be considered accumulated contributions of the  
9 individual members.

10 ~~(9)~~~~(10)~~ Interest paid by a member of the Kentucky Employees Retirement System,  
11 County Employees Retirement System, or State Police Retirement System under  
12 this section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705,  
13 or 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual  
14 member's account in the appropriate retirement system and considered as  
15 accumulated contributions of the member.

16 ~~(10)~~~~(11)~~ Employees who served as assistants to officers and employees of the General  
17 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)  
18 or at least sixty (60) months of service if under age sixty-five (65) in the systems  
19 administered by Kentucky Retirement Systems and who were unable to acquire  
20 service under KRS 61.510(20) may purchase credit for the service performed after  
21 January 1, 1960.~~[Service credit under this section shall be obtained by the payment~~  
22 ~~of a delayed contribution which shall not be picked up by the employer as described~~  
23 ~~in KRS 61.560(4).]~~

24 ~~(11)~~~~(12)~~ (a) Effective August 1, 1988, any employee participating in one (1) of the  
25 retirement systems administered by Kentucky Retirement Systems who has at  
26 least forty-eight (48) months of service if age sixty-five (65) or at least sixty  
27 (60) months of service if under age sixty-five (65) in the systems administered



1 by Kentucky Retirement Systems may purchase service credit for interim,  
2 seasonal, emergency, ~~for temporary employment~~, probationary, or part-  
3 time employment averaging one hundred (100) or more hours of work per  
4 month on a calendar or fiscal year basis. If the average number of hours of  
5 work is less than one hundred (100) per month, the member shall be allowed  
6 credit only for those months he receives creditable compensation for one  
7 hundred (100) or more hours of work.~~[The cost will be determined as a~~  
8 ~~delayed contribution payment for the period of time involved, which shall not~~  
9 ~~be picked up by the employer as described in KRS 61.560(4).]~~

10 (b) Any noncertified employee of a school board who has at least forty-eight (48)  
11 months of service if age sixty-five (65) or at least sixty (60) months of service  
12 if under age sixty-five (65) in the systems administered by Kentucky  
13 Retirement Systems may purchase service credit in the County Employees  
14 Retirement System for part-time employment prior to the 1990-91 school year  
15 which averaged eighty (80) or more hours of work per month on a calendar or  
16 fiscal year basis~~[by paying to the County Employees Retirement System a~~  
17 ~~delayed contribution payment. The delayed contribution payment shall not be~~  
18 ~~picked up, as described in KRS 78.610(4), by the employer. Payment may be~~  
19 ~~by lump sum or the employee may pay by increments].~~ If the average number  
20 of hours of work is less than eighty (80) per month, the noncertified employee  
21 of a school board shall be allowed to purchase service credit only for those  
22 months he received~~[receives]~~ creditable compensation for eighty (80) or more  
23 hours of work.~~[The cost will be determined as a delayed contribution~~  
24 ~~payment, which shall not be picked up by the employer as described in KRS~~  
25 ~~78.610(4).~~

26 ~~(13) A retired member, who is contributing to one (1) of the state-administered~~  
27 ~~retirement programs under the provisions of KRS 61.637(1) to (4) and~~

1 purchases service credit under this section in the system or systems from  
2 which he is retired, shall have his retirement allowance recomputed:

3 (a) Upon termination from employment, if the member is contributing to the same  
4 system or systems from which he was retired; or

5 (b) Upon completion of six (6) months' service credit as required under  
6 subsection (6) of this section, if the member is contributing to a system other  
7 than the system or systems from which he is retired.]

8 ~~(12)~~[(14)] Any employee participating in one (1) of the systems administered by  
9 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
10 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
11 (65) in the systems administered by Kentucky Retirement Systems may purchase  
12 service~~[obtain]~~ credit for ~~[prior or current service for]~~ any period of approved  
13 educational leave, or for agency-approved leave to work for a work-related labor  
14 organization if the agency subsequently participated in the County Employees  
15 Retirement System~~[- by paying to the respective retirement system a delayed~~  
16 ~~contribution payment]~~. The employee may also purchase service~~[obtain]~~ credit for  
17 agency-approved leave to work for a work-related labor organization if the agency  
18 subsequently participated in the County Employees Retirement System, but only if  
19 the Kentucky Retirement Systems receives a favorable private letter ruling from the  
20 United States Internal Revenue Service or a favorable opinion letter from the United  
21 States Department of Labor~~[- The delayed contribution payment shall not be picked~~  
22 ~~up, as described in KRS 61.560(4), by the employer, and shall be deposited to the~~  
23 ~~individual member's account]~~.

24 ~~(13)~~[(15)] Any employee participating in one (1) of the retirement systems administered  
25 by Kentucky Retirement Systems who has at least forty-eight (48) months of service  
26 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
27 (65) in the systems administered by Kentucky Retirement Systems may purchase

1 ~~service~~~~[obtain]~~ credit for ~~[prior or current service for]~~ any period of authorized  
2 maternity leave, unpaid leave authorized under the Federal Family and Medical  
3 Leave Act, or for any period of authorized sick leave without pay~~[, by paying to the~~  
4 ~~respective retirement system a delayed contribution payment. The delayed~~  
5 ~~contribution payment shall not be picked up, as described in KRS 61.560(4), by the~~  
6 ~~employer, and shall be deposited to the individual member's account].~~

7 ~~(14)~~~~[(16)]~~ (a) Any employee participating in one (1) of the retirement systems  
8 administered by Kentucky Retirement Systems may purchase service credit  
9 under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or  
10 78.510 to 78.852, or as otherwise required by 38 U.S.C. ch. 43, by: ~~[making~~  
11 ~~installment payments in lieu of a lump-sum payment.]~~

12 ~~1.~~~~[(a)]~~ *Making a lump-sum payment on a before-tax basis as provided*  
13 *in subparagraph 3. of this paragraph, or on an after-tax basis if the*  
14 *employee is purchasing service credit under subsection (1) or (20) of*  
15 *this section, service available pursuant to 38 U.S.C. ch. 43 not*  
16 *otherwise provided for in this section, or grandfathered service as*  
17 *defined in paragraph (b) of this subsection;*

18 2. *Entering into an agreement to purchase service credit through an*  
19 *installment purchase of service agreement with the systems as*  
20 *provided by paragraph (c) of this subsection;*

21 a. *On a before-tax basis in which the service is purchased pursuant*  
22 *to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or*

23 b. *On an after-tax basis if the employee is purchasing service credit*  
24 *under subsection (1) or (20) of this section, service available*  
25 *pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this*  
26 *section, or grandfathered service as defined in paragraph (b) of*  
27 *this subsection; or*

1           3. Transferring funds to the systems through a direct trustee-to-trustee  
2           transfer as permitted under the applicable sections of the Internal  
3           Revenue Code and any regulations or rulings issued thereunder,  
4           through a direct rollover as contemplated by and permitted under 26  
5           U.S.C. sec. 401(a)(31) and any regulations or rulings issued  
6           thereunder, or through a rollover of funds pursuant to and permitted  
7           under the rules specified in 26 U.S.C. secs. 402(c) and 408(d)(3). The  
8           Kentucky Retirement Systems shall accept the transfer or rollover to  
9           the extent permitted under the rules specified in the applicable  
10           provisions of the Internal Revenue Code and any regulations and  
11           rulings issued thereunder.

12       (b) For purposes of this subsection, "grandfathered service" means service  
13       purchases for which a member, whose membership date in the system is  
14       prior to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652,  
15       61.510 to 61.705, or 78.510 to 78.852, that were available for all members of  
16       the system to purchase on August 5, 1997.

17       (c) 1. For service purchased under a before-tax or after-tax installment  
18       purchase of service agreement as provided by paragraph (a)2. of this  
19       subsection, the cost of the service shall be computed in the same manner  
20       as for a lump-sum payment which shall be the principal~~[,]~~, except  
21       ~~that[and]~~ interest compounded annually~~[,]~~ at the actuarial rate in effect  
22       at the time the member elects to make the purchase~~[compounded~~  
23       ~~annually,]~~ shall be added for the period that the installments are to be  
24       made.

25       2. Multiple service purchases may be combined under a single installment  
26       agreement, except that~~[purchase ; however,]~~ no employee may make  
27       more than one (1) installment purchase at the same time.

1            3. For after-tax installment purchase of service agreements, the  
2            employee may elect to stop the installment payments by notifying the  
3            retirement system; may have the installment purchase recalculated to  
4            add one (1) or more additional service purchases; or may pay by lump  
5            sum the remaining principal or a portion of the remaining principal.

6            4. Before-tax installment purchase of service agreements shall be  
7            irrevocable, and the employee shall not be able to stop installment  
8            payments or to pay off the remaining balance of the purchase of  
9            service agreement, except upon termination of employment or death.

10          ~~5.(b)}~~        One (1) year of installment payments shall be made for each one  
11          thousand dollars (\$1,000) or any part thereof of the total cost, except that  
12          the total period allowed for installments shall not be less than one (1)  
13          year and shall not exceed five (5) years.

14          ~~6.(c)}~~        The employee shall pay the installments by payroll deduction for  
15          after-tax purchase of service agreements, and the employer shall pick  
16          up installments for before-tax purchase of service agreements. Upon  
17          notification by the retirement system, the employer shall report the  
18          installment payments either monthly or semimonthly continuously over  
19          each twelve (12) month period at the same time as, but separate from,  
20          regular employee contributions on the forms or by the computer format  
21          specified by the board~~[- The payments made under this subsection shall~~  
22          ~~be considered accumulated contributions of the member and shall not be~~  
23          ~~picked up by the employer pursuant to KRS 61.560(4) and no employer~~  
24          ~~contributions shall be paid on the installments].~~

25          ~~7.(d)}~~        The retirement system shall determine how much of the total cost  
26          represents payment for one (1) month of the service to be purchased and  
27          shall credit one (1) month of service to the member's account each time

1 this amount has been paid. The first service credited shall represent the  
2 first calendar month of the service to be purchased and each succeeding  
3 month of service credit shall represent the succeeding months of that  
4 service.

5 ~~8.1(e)}~~ If the employee utilizing an installment purchase of service  
6 agreement dies, retires, does not continue employment in a position  
7 required to participate in the retirement system, or elects to stop an  
8 after-tax installment purchase of service agreement~~[stop the~~  
9 ~~installment payments, dies, retires, or does not continue employment in~~  
10 ~~a position required to participate in the retirement system]~~, the member,  
11 or in the case of death, the beneficiary, shall have sixty (60) days to pay  
12 the remaining principal or a portion of the remaining principal of the  
13 installment purchase of service agreement by lump sum, subject to the  
14 restrictions of paragraph (a)1. of this subsection, or by transfer of  
15 funds under paragraph (a)3. of this subsection, except that payment by  
16 the member shall be filed with the system~~[made]~~ prior to the member's  
17 effective retirement date. If the member or beneficiary does not pay the  
18 remaining cost, the retirement system shall refund to the member or the  
19 beneficiary the payment, payments, or portion of a payment that does not  
20 represent a full month of service purchased, except as provided by  
21 subsection (22) of this section.

22 ~~9.1(f)}~~ If the employer does not report installment payments on an  
23 employee for sixty (60) days for an after-tax installment purchase of  
24 service agreement, except in the case of employees on military leave or  
25 sick leave without pay, the installment purchase shall cease and the  
26 retirement system shall refund to the employee the payment, payments,  
27 or portion of a payment that does not represent a full month of service

1 purchased.

2 10. Installment payments of employees on military leave or sick leave  
3 without pay shall be suspended during the period of leave and shall  
4 resume without recalculation upon the employee's return from leave.

5 11.~~[(g)]~~ If payments have ceased under subparagraph 8. or 9. of this  
6 paragraph~~[paragraph (e) or (f) of this subsection]~~ and the member later  
7 becomes a participating employee in one (1) of the three (3) systems  
8 administered by Kentucky Retirement Systems, the employee may  
9 complete the adjusted original installment purchase by lump sum or  
10 installment payments, subject to the restrictions of this subsection. If  
11 the employee elects to renew the installment purchase, the cost of the  
12 remaining service shall be recalculated in accordance with paragraph (a)  
13 of this subsection.

14 (d) Except as provided by paragraph (a)2.a. of this subsection, the cost of  
15 purchasing service shall not be picked up, as described in KRS 16.545(4),  
16 61.560(4), or 78.610(4), by the employer.

17 (e) The cost of purchasing service credit under any provision of this section,  
18 except as provided by subsections (1) and (20) of this section, shall be  
19 determined by the delayed contribution method as provided by KRS 61.5525.

20 (f) Member payments, including interest, properly received pursuant to this  
21 subsection shall be deposited to the member's account and considered as  
22 accumulated contributions of the individual member.

23 ~~[(17) Any employee participating in one (1) of the retirement systems administered by~~  
24 ~~Kentucky Retirement Systems may purchase service credit under any of the~~  
25 ~~provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 by~~  
26 ~~transferring funds through a direct trustee-to-trustee transfer as permitted under the~~  
27 ~~applicable sections of the Internal Revenue Code and any regulations or rulings~~

1       ~~issued thereunder, or through a direct rollover as contemplated by and permitted~~  
2       ~~under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder.~~  
3       ~~Service credit may also be purchased by a rollover of funds pursuant to and~~  
4       ~~permitted under the rules specified in 26 U.S.C. sec. 402(e) and 26 U.S.C. sec.~~  
5       ~~408(d)(3). The Kentucky Retirement Systems shall accept the transfer or rollover to~~  
6       ~~the extent permitted under the rules specified in the applicable provisions of the~~  
7       ~~Internal Revenue Code and any regulations and rulings issued thereunder. The~~  
8       ~~amount shall be credited to the individual member's account in the appropriate~~  
9       ~~retirement system and shall be considered accumulated contributions of the~~  
10       ~~member.]~~

11       (15)~~[(18)]~~ After August 1, 1998, any employee participating in one (1) of the retirement  
12       systems administered by Kentucky Retirement Systems who is age sixty-five (65) or  
13       older and has forty-eight (48) months of service credit or, if younger, who has sixty  
14       (60) months of service credit in systems administered by Kentucky Retirement  
15       Systems may purchase service credit in the system in which the employee has the  
16       service credit for up to ten (10) years service in a regular full-time position that was  
17       credited to a state or local government-administered public defined benefit plan in  
18       another state other than a defined benefit plan for teachers.~~[ The employee shall pay~~  
19       ~~a delayed contribution payment. Payment may be by lump sum, or the employee~~  
20       ~~may pay by increments.]~~ The employee ~~[may transfer funds directly from the other~~  
21       ~~state's plan if eligible to the extent permitted under subsection (17) of this section~~  
22       ~~and to the extent permitted by the other state's laws and ]~~shall provide proof that he  
23       is not eligible for a retirement benefit for the period of service from the other state's  
24       plan.

25       (16)~~[(19)]~~ After August 1, 1998, any employee participating in one (1) of the retirement  
26       systems administered by Kentucky Retirement Systems, who has sixty (60) or more  
27       months of service in the State Police Retirement System or in a hazardous position



1 in the Kentucky Employees Retirement System or the County Employees  
2 Retirement System, may purchase service credit in the system in which the  
3 employee has the sixty (60) months of service credit for up to ten (10) years of  
4 service in a regular full-time position that was credited to a defined benefit  
5 retirement plan administered by a state or local government in another state, if the  
6 service could be certified as hazardous pursuant to KRS 61.592.~~[The employee~~  
7 ~~shall pay a delayed contribution payment. Payment may be by lump sum or by~~  
8 ~~increments.]~~ The employee~~[ may transfer funds directly from the other unit of~~  
9 ~~government's plan if eligible to the extent permitted under subsection (17) of this~~  
10 ~~section and to the extent permitted by the other state's laws, and the employee]~~ shall  
11 provide proof that he is not eligible for a retirement benefit for the period of service  
12 from the other unit of government's plan.

13 ~~(17)~~~~(20)~~ Any employee participating in one (1) of the retirement systems administered  
14 by Kentucky Retirement Systems who has at least forty-eight (48) months of service  
15 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
16 (65) in the systems administered by Kentucky Retirement Systems and who has  
17 completed service as a volunteer in the Kentucky Peace Corps, created by KRS  
18 154.1-720, may purchase service credit for the time served in the corps~~[ by making~~  
19 ~~delayed contribution payments].~~

20 ~~(18)~~~~(21)~~ An employee participating in any retirement system administered by Kentucky  
21 Retirement Systems who has at least forty-eight (48) months of service if age sixty-  
22 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the  
23 systems administered by Kentucky Retirement Systems, and who was formerly  
24 employed in a regional community services program for mental health and  
25 individuals with an intellectual disability, organized and operated under the  
26 provisions of KRS 210.370 to 210.480, which does not participate in a state-  
27 administered retirement system may purchase service~~[obtain]~~ credit for the period

1 of his service in the regional community program for mental health and individuals  
2 with an intellectual disability~~[- by paying to the state retirement system in which he~~  
3 ~~participates a delayed contribution payment. Payment to one (1) of the retirement~~  
4 ~~systems administered by the Kentucky Retirement Systems may be made by lump~~  
5 ~~sum or in increments].~~

6 ~~(19)~~~~(22)~~ An employee participating in one (1) of the retirement systems administered  
7 by Kentucky Retirement Systems who has at least forty-eight (48) months of service  
8 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
9 (65) in the systems administered by the Kentucky Retirement Systems, who was  
10 employed by a vocational technical school in a noncertified part-time position  
11 averaging eighty (80) or more hours per month, determined by using the number of  
12 months actually worked within a calendar or fiscal year, may purchase service credit  
13 in the Kentucky Employees Retirement System.~~[- The cost of the service shall be a~~  
14 ~~delayed contribution payment, which shall not be picked up by the employer as~~  
15 ~~described in KRS 61.560(4).]~~

16 ~~(20)~~~~(23)~~ (a) Any person who is entitled to service credit for employment which was  
17 not reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain  
18 credit for the service by paying the employee contributions due within six (6)  
19 months of notification by the system. No interest shall be added to the  
20 contributions. The service credit shall not be credited to the member's account  
21 until the employer contributions are received. If a retired member makes the  
22 payment within six (6) months, the retired member's retirement allowance  
23 shall be adjusted to reflect the added service after the employer contributions  
24 and any interest or penalties on the delinquent employer contributions are  
25 received by the retirement system.

26 (b) Any employee participating in one (1) of the state-administered retirement  
27 systems who is entitled to service credit under paragraph (a) of this subsection

1 and who has not repaid the employee contributions due within six (6) months  
2 of notification by the system may regain the credit after the six (6) months by  
3 paying to the system the employee contributions plus interest at the actuarially  
4 assumed rate from the date of initial notification under paragraph (a) of this  
5 subsection. Service credit shall not be credited to the member's account until  
6 the employer contributions and any interest or penalties on the delinquent  
7 employer contributions are received by the retirement system. ~~The payments~~  
8 ~~shall not be picked up, as described in KRS 61.560(4), by the employer.~~

9 (c) Service purchased under this subsection by employees who begin participating  
10 on or after September 1, 2008, shall be considered service credited under KRS  
11 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for  
12 retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and  
13 78.510 to 78.852.

14 (d) Employees who begin participating on or after January 1, 2014, in the hybrid  
15 cash balance plan provided by KRS 16.583 and 61.597 shall, upon payment of  
16 the employee and employer contributions due under this subsection, have their  
17 accumulated account balance increased by the employee contributions,  
18 employer pay credits, and interest credits that would have been credited to  
19 their member's account if the contributions had been paid on time.

20 (e) Employer contributions payable under this subsection shall be considered  
21 delinquent and the employer shall be required to pay interest and any other  
22 penalties on the delinquent contributions in accordance with KRS  
23 61.675(3)(b) and 78.625(2)(a) from the date the employee should have been  
24 reported and received service credit in accordance with KRS 16.543, 61.543,  
25 and 78.615.

26 ~~(21)~~~~(24)~~ Any employee participating in one (1) of the retirement systems administered  
27 by Kentucky Retirement Systems who has at least forty-eight (48) months of service

1 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
2 (65) in the systems administered by the Kentucky Retirement Systems may  
3 purchase service credit for employment with a public agency that would have been  
4 eligible to participate under KRS 61.520 but which did not participate in the  
5 Kentucky Employees Retirement System or a political subdivision that would have  
6 been eligible to participate under KRS 78.530 but which did not participate in the  
7 County Employees Retirement System if the former public agency or political  
8 subdivision has merged with or been taken over by a participating department or  
9 county. ~~[The cost of the service shall be determined as a delayed contribution~~  
10 ~~payment for the respective retirement system. Payment may be made by lump sum~~  
11 ~~or [in] increments. The payment shall not be picked up, as described in KRS~~  
12 ~~61.560(4) or 78.610(4), by the employer.]~~

13 (22)~~[(25)]~~ Any employee participating in one (1) of the retirement systems administered  
14 by the Kentucky Retirement Systems prior to July 15, 2002, who has accrued at  
15 least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60)  
16 months of service if under age sixty-five (65) in the systems administered by the  
17 Kentucky Retirement Systems and who has total service in all state-administered  
18 retirement systems of at least one hundred eighty (180) months of service credit  
19 may purchase a combined maximum total of five (5) years of retirement service  
20 credit which is not otherwise purchasable under any of the provisions of KRS  
21 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. **The purchase shall be**  
22 **made in any of the systems administered by Kentucky Retirement Systems in**  
23 **which the employee is a member**~~[The purchase price for the retirement service~~  
24 ~~credit shall be calculated and paid for as a delayed contribution payment. The~~  
25 ~~payment shall not be picked up, as described in KRS 16.545(4), 61.560(4), or~~  
26 ~~78.610(4), by the employer, and the employee's payment shall be paid into the~~  
27 ~~individual member's account in the appropriate retirement system and shall be~~

1 ~~considered accumulated contributions of the member. Payment by the member may~~  
2 ~~be by lump sum or by increments].~~ The service purchased under this subsection  
3 shall not be used in determining a retirement allowance until the member has  
4 accrued at least two hundred forty (240) months of service, excluding service  
5 purchased under this subsection. If the member does not accrue at least two hundred  
6 forty (240) months of service, excluding service purchased under this subsection,  
7 upon retirement, death, or written request following termination, the payment, plus  
8 interest as provided in KRS 61.575, shall be refunded.

9 ~~(23)~~(23) An employee participating in one (1) of the retirement systems administered  
10 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
11 service if age sixty-five (65), or at least sixty (60) months of service if under age  
12 sixty-five (65), in the systems administered by Kentucky Retirement Systems, may  
13 obtain credit in the County Employees Retirement System for the period of that  
14 employee's service with a community action agency created under KRS 273.405 to  
15 273.453 if that service was not covered by a state-administered retirement system.~~]~~  
16 ~~The member shall pay to the retirement system a delayed contribution payment.~~  
17 ~~Payment may be made by lump sum or in increments. The payment shall not be~~  
18 ~~picked up, as described in KRS 61.560(4) or 78.610(4), by the employer.~~

19 ~~(27) The board of trustees is authorized to establish a program, subject to a favorable~~  
20 ~~ruling from the Internal Revenue Service, to provide for the purchase of service~~  
21 ~~credit under any of the provisions of KRS 16.505 to 16.552, 61.510 to 61.705, and~~  
22 ~~78.510 to 78.852, pursuant to the employer pick up provisions in 26 U.S.C. sec.~~  
23 ~~414(h)(2).]~~

24 ~~(24)~~(24) An employee may obtain credit for regular full-time service with an agency  
25 prior to August 1, 1998, for which the employee did not receive credit due to KRS  
26 61.637(1)~~], by paying a delayed contribution. The payment shall not be picked up~~  
27 ~~by the employer, except as provided in subsection (27) of this section, and shall be~~

1 ~~credited to the employee's second retirement account~~. Service credit obtained under  
2 this subsection shall not be used in determining benefits under KRS 61.702. The  
3 employee may purchase credit for service prior to August 1, 1998, if:

4 (a) The employee retired from one (1) of the retirement systems administered by  
5 the Kentucky Retirement Systems and was reemployed prior to August 1,  
6 1998, earning less than the maximum permissible earnings under the Federal  
7 Social Security Act;

8 (b) The employee elected to participate in a second retirement account effective  
9 August 1, 1998, in accordance with KRS 61.637(7); and

10 (c) The employee has at least forty-eight (48) months of service if age sixty-five  
11 (65), or at least sixty (60) months of service if under age sixty-five (65), in a  
12 second account in the systems administered by Kentucky Retirement Systems.

13 ~~(25)~~~~(29)~~ An employee participating in one (1) of the retirement systems administered  
14 by the Kentucky Retirement Systems, who has at least forty-eight (48) months of  
15 service if age sixty-five (65) or at least sixty (60) months of service if under age  
16 sixty-five (65) in the systems administered by the Kentucky Retirement Systems,  
17 may obtain credit for the service in a regular full-time position otherwise creditable  
18 under the Kentucky Employees Retirement System, the County Employees  
19 Retirement System, or the State Police Retirement System for service in the United  
20 States government, other than service in the Armed Forces, for which service is not  
21 otherwise given~~, by paying to the system a delayed contribution payment. Payment~~  
22 ~~may be made by lump sum or in increments. No payment made pursuant to this~~  
23 ~~section shall be picked up by the employer, as described in KRS 61.560(4)].~~

24 ~~(26)~~~~(30)~~ An employee participating in a hazardous position in one (1) of the retirement  
25 systems administered by the Kentucky Retirement Systems, who has at least forty-  
26 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of  
27 service if under age sixty-five (65) in the systems administered by the Kentucky

1 Retirement Systems, may obtain credit for service in a regular full-time position in  
2 an urban-county government that would qualify for hazardous duty coverage under  
3 KRS 61.592~~[by paying to the system a delayed contribution payment. Payment may~~  
4 ~~be made by lump sum or in increments. No payment made pursuant to this section~~  
5 ~~shall be picked up by the employer, as described in KRS 61.560(4)].~~

6 ~~(27)~~~~[(34)]~~ Subsections (2) to (5), ~~(7)~~~~[(8)]~~ to ~~(13)~~~~[(15)]~~, ~~(15)~~~~[(18)]~~ to ~~(19)~~~~[(22), (24) to~~  
7 ~~(26)]~~, and ~~(21)~~~~[(28)]~~ to ~~(26)~~~~[(30)]~~ of this section shall not apply to members who  
8 begin participating in the systems administered by Kentucky Retirement Systems on  
9 or after January 1, 2014.

10 **(28) Service purchases made pursuant to subsections (2) to (5), (7), (10) to (13), (15) to**  
11 **(19), (21) to (23), (25), and (26) of this section shall be purchased by the entire**  
12 **amount of service available pursuant to that subsection or by increments. Service**  
13 **purchases made pursuant to subsections (1), (20), and (24) shall be purchased by**  
14 **the entire amount of service available.**

15 ➔Section 10. KRS 61.5525 is amended to read as follows:

16 (1) Effective July 1, 2001, purchase of service under the provisions of KRS 16.505 to  
17 16.652, 61.510 to 61.705, and 78.510 to 78.852, except as provided in subsection  
18 (2) of this section, shall be determined by multiplying the higher of the employee's  
19 current rate of pay, final rate of pay, or final compensation as of the end of the  
20 month in which the purchase is made times the actuarial factor times the number of  
21 years of service being purchased. Effective September 1, 2008, the actuarial factor  
22 used to determine the cost of purchasing service credit shall assume the earliest date  
23 the member may retire without a reduction in benefits and the cost-of-living  
24 adjustments provided to members upon retirement under KRS 61.691.

25 (2) **Subsection (1) of this section**~~[This provision]~~ shall not apply to KRS 61.552(1) and  
26 ~~(20)~~~~[(23)]~~ or 61.592(3)(c).

27 (3) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505

1 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, except for service purchased  
2 under KRS 61.552(1) and (20)~~[(23)]~~, shall not be used to determine eligibility for or  
3 the amount of the monthly insurance contribution under KRS 61.702.

4 (4) For a member whose participation begins on or after August 1, 2004, service  
5 purchased under the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and  
6 78.510 to 78.852, except for service purchased under KRS 61.552(1) and  
7 (20)~~[(23)]~~, shall not be used to determine eligibility for a retirement allowance  
8 under disability retirement, early retirement, normal retirement, or death under any  
9 of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.  
10 Purchased service shall only be used to determine the amount of the retirement  
11 allowance of a member who is eligible for a retirement allowance under disability,  
12 early retirement, normal retirement, or death under any of the provisions of KRS  
13 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, based on service earned  
14 as a participating employee.

15 ➔Section 11. KRS 61.555 is amended to read as follows:

16 (1) (a) After August 1, 1998, any employee entering the Armed Forces of the United  
17 States after he first participates in the system, who joins the Armed Forces  
18 within three (3) months of the last day of paid employment, being on leave of  
19 absence from service and not withdrawing his accumulated account balance,  
20 shall be credited for retirement purposes with service credit and creditable  
21 compensation as provided in 38 U.S.C. sec. 4318 for his period of active  
22 military duty in the Armed Forces of the United States, not to exceed six (6)  
23 years, if:

24 1. The member's military service was terminated in a manner other than  
25 as described in 38 U.S.C. sec. 4304;~~His discharge therefrom is~~  
26 ~~honorable~~ and

27 2. The member~~He~~ returns to work with an employer participating in one



1 (1) of the retirement systems administered by the Kentucky Retirement  
2 Systems within two (2) years after completion of the period of active  
3 military duty, or upon the subsequent termination of any total disability  
4 which existed at the expiration of the two (2) years after discharge.

5 (b) A member eligible for the benefit prescribed by this subsection who  
6 participates in the hybrid cash balance plan as provided by KRS 16.583 and  
7 61.597 shall also have his or her member account credited with employee  
8 contributions, employer pay credits, and interest credits, as provided by KRS  
9 16.583 and 61.597, as though the member were employed during the  
10 member's period of active military duty described by this subsection.

11 (c) The employer shall remit to the retirement systems the employer  
12 contributions that would have been due under KRS 61.565 and 61.702 for  
13 periods of service credited under this subsection.

14 (2) (a) After August 1, 1998, any employee who, prior to the date he first participated  
15 in the system, terminated his employment with an agency participating in one  
16 (1) of the systems administered by the Kentucky Retirement Systems and  
17 within three (3) months entered the Armed Forces of the United States and  
18 who returns to work with an employer participating in one (1) of the  
19 retirement systems administered by the Kentucky Retirement Systems within  
20 two (2) years after completion of the period of active military duty, or upon  
21 the subsequent termination of any total disability which existed at the  
22 expiration of the two (2) years after discharge, shall be credited for retirement  
23 purposes with service credit and creditable compensation as provided in 38  
24 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces,  
25 not to exceed six (6) years if his military service was terminated in a manner  
26 other than as described in 38 U.S.C. sec. 4304.

27 (b) A member eligible for the benefit prescribed by this subsection who

1 participates in the hybrid cash balance plan as provided by KRS 16.583 and  
2 61.597 shall also have his or her member account credited with employee  
3 contributions, employer pay credits, and interest credits, as provided by KRS  
4 16.583 and 61.597, as though the member were employed during the  
5 member's period of active military duty described by this subsection.

6 (c) The employer shall remit to the retirement systems the employer  
7 contributions that would have been due under KRS 61.565 and 61.702 for  
8 periods of service credited under this subsection.

9 (3) Any National Guard technician involuntarily serving on active military duty during  
10 the period between January 26, 1968, and January 1, 1970, who completes his eight  
11 (8) years' service while on military duty during this period, shall have that portion of  
12 his active military duty, necessary to the completion of eight (8) years' current  
13 service, credited to his account, as current service without having to meet the  
14 reemployment criteria.

15 (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee  
16 upon completion of five (5) years of service shall receive current service credit for a  
17 maximum of four (4) years for his period of active military duty in the Armed  
18 Forces of the United States, if his military service was terminated in a manner  
19 other than as described in 38 U.S.C. sec. 4304~~[discharge therefrom is honorable]~~  
20 and he has not been credited with the service under subsections (1) to (3) of this  
21 section if he pays thirty-five percent (35%) of the cost of the service based on the  
22 formula adopted by the board. The payment by the member shall not be picked up  
23 by the employer, as described in KRS 61.560(4), and shall be deposited to his  
24 individual member's account. The remaining sixty-five percent (65%) shall be paid  
25 by the state from funds appropriated specifically for the purpose and these payments  
26 shall be deposited to the respective retirement allowance accounts. If no funds are  
27 available in the special appropriation account, the system shall not accept employee

1 payments until funds are available in the account.

2 (5) Any employee participating in one (1) of the retirement systems administered by  
3 Kentucky Retirement Systems eligible to purchase military service credit under  
4 subsection (4) of this section shall receive current service credit for active military  
5 duty as provided under subsection (4) of this section without payment of the current  
6 employee contribution ratio if the member was taken prisoner by a hostile power at  
7 any time during active military service.

8 (6) Any employee participating in one (1) of the retirement systems administered by  
9 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)  
10 months of service, at least twelve (12) of which are current service, or if younger  
11 who has sixty (60) months of service, at least twelve (12) of which are current  
12 service shall receive current service for his period of active military duty in the  
13 Armed Forces of the United States, if his military service was terminated in a  
14 manner other than as described in 38 U.S.C. sec. 4304~~[discharge therefrom is not~~  
15 ~~dishonorable]~~ and he has not been credited with the service under subsections (1) to  
16 (4) of this section, by paying the retirement system a delayed contribution payment  
17 in accordance with the payment options and restrictions established by subsection  
18 (14) of Section 9 of this Act. Service purchases made pursuant to this subsection  
19 shall be purchased by the entire amount of service available pursuant to this  
20 subsection or by increments~~[Payment may be made by lump sum or in increments.~~  
21 ~~The payment shall not be picked up by the employer as described in KRS 16.545(4),~~  
22 ~~61.560(4), or 78.610(4) and shall be deposited in the member's individual~~  
23 ~~retirement account].~~

24 (7) Any employee participating in one (1) of the retirement systems administered by the  
25 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)  
26 months of service, at least twelve (12) of which are current service, or if younger  
27 who has sixty (60) months of service, at least twelve (12) of which are current

1 service, shall receive one (1) month of current service for each six (6) months of  
2 service in the National Guard or the military reserves of the United States, by  
3 paying the retirement system a delayed contribution payment in accordance with  
4 the payment options and restrictions established by subsection (14) of Section 9 of  
5 this Act. The service shall be treated as service earned prior to participation in the  
6 system and shall not be included in the member's final compensation. Service  
7 purchases made pursuant to this subsection shall be purchased by the entire  
8 amount of service available pursuant to this subsection or by increments [Payment  
9 may be made by lump sum or in increments. The payment shall not be picked up by  
10 the employer, as described in KRS 16.545(4), 61.560(4), or 78.610(4) and shall be  
11 deposited in the member's individual retirement account].

12 (8) For members who begin participating in the systems administered by Kentucky  
13 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan  
14 prescribed by KRS 16.583 and 61.597, the provisions of subsections (4) to (7) of  
15 this section shall not apply.

16 ➔Section 12. KRS 61.557 is amended to read as follows:

17 (1) Inasmuch as the takeover of the Kentucky State Employment Service by the federal  
18 government, through its United States Employment Service and War Manpower  
19 Commission, was recognized by both federal and state governments as a temporary  
20 measure during the war emergency, and the employment service was, in fact,  
21 returned to the state government at the close of the emergency period, the  
22 employees of the service are recognized as employees of the Commonwealth for the  
23 purposes of KRS 61.510 to 61.692 during the period of control by the federal  
24 government, in the same manner as if they had been employed in another  
25 department of the government of the Commonwealth during that period.

26 (2) If a parted employer rejoins a department as a result of the cancellation of a contract  
27 or lease arrangement, thereby causing each employee thereof to again become an

1 employee as defined in KRS 61.510(5), the system may negotiate with the publicly  
2 held corporation or other similar organizations for payment for the years of service  
3 credit under the system for all employees working on the date the contract or other  
4 lease arrangement is canceled in order to avoid an impairment in the retirement  
5 benefits of the employees, if any payment accepted by the system for the service is  
6 ~~[based on a formula]~~ consistent with the provisions of **subsections (6) and (8) of**  
7 **Section 9 of this Act**~~[KRS 61.552(7)]~~. No payment made pursuant to this section  
8 shall be picked up by the employer, as described in KRS 61.560(4).

9 ➔Section 13. KRS 61.560 is amended to read as follows:

- 10 (1) Each employee shall, commencing on August 1, 1986, contribute for each pay  
11 period for which he receives compensation five percent (5%) of his creditable  
12 compensation, ~~[unless he did not elect membership pursuant to KRS 61.545(3), and~~  
13 ~~]except that members of the General Assembly, who elect the survivorship option~~  
14 ~~provided in KRS 61.635(13), shall each contribute six and six-tenths percent (6.6%)~~  
15 ~~of creditable compensation commencing with the payroll period immediately~~  
16 ~~following his election of the option. Any other provisions of KRS 61.515 to 61.705~~  
17 ~~notwithstanding, any reemployed retiree, as described in KRS 61.637, **who became**~~  
18 **reemployed prior to September 1, 2008, and began participating in another**  
19 **retirement account** shall contribute five percent (5%) of his creditable  
20 compensation, or the amount required by KRS 61.592(3) if applicable~~, if he~~  
21 ~~anticipates that he will receive more than the maximum permissible earnings, as~~  
22 ~~provided by the Federal Social Security Act, in compensation as a result of~~  
23 ~~reemployment during the calendar year].~~
- 24 (2) Each employer shall cause to be deducted from the creditable compensation of each  
25 employee for each and every payroll period the contribution payable by each such  
26 employee as provided in KRS 61.515 to 61.705.
- 27 (3) The deductions provided for herein shall be made notwithstanding that the

1 minimum compensation provided by law for any employee shall be reduced  
2 thereby. Every employee shall be deemed to consent and agree to the deductions  
3 made as provided herein; and payment of salary or compensation less such  
4 deductions shall be a full and complete discharge of all claims for services rendered  
5 by such person during the period covered by such payment, except as to any  
6 benefits provided by KRS 61.515 to 61.705.

7 (4) Each employer shall, solely for the purpose of compliance with Section 414(h) of  
8 the United States Internal Revenue Code, pick up the employee contributions  
9 required by this section for all compensation earned after August 1, 1982, and the  
10 contributions so picked up shall be treated as employer contributions in determining  
11 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).  
12 These contributions shall not be included as gross income of the employee until  
13 such time as the contributions are distributed or made available to the employee.  
14 The picked-up employee contribution shall satisfy all obligations to the retirement  
15 system satisfied prior to August 1, 1982, by the employee contribution, and the  
16 picked-up employee contribution shall be in lieu of an employee contribution. Each  
17 employer shall pay these picked-up employee contributions from the same source of  
18 funds which is used to pay earnings to the employee. The employee shall have no  
19 option to receive the contributed amounts directly instead of having them paid by  
20 the employer to the system. Employee contributions picked up after August 1, 1982,  
21 shall be treated for all purposes of KRS 61.515 to 61.705 in the same manner and to  
22 the same extent as employee contributions made prior to August 1, 1982.

23 (5) The provisions of this section shall not apply to individuals who are not eligible for  
24 membership as provided by KRS 61.522.

25 ➔Section 14. KRS 61.590 is amended to read as follows:

26 (1) A member or beneficiary eligible to receive retirement benefits under any of the  
27 provisions of KRS 61.510 to 61.705, 78.510 to 78.852, and 16.510 to 16.652 shall

1 have on file at the retirement office on the form prescribed by the board, a correctly  
2 completed notification of retirement, giving his name, address, Social Security  
3 number or Kentucky Retirement Systems member identification number, last day  
4 of employment, and other information the system may require. The form entitled  
5 "Notification of Retirement" shall not be filed more than six (6) months before the  
6 member's effective retirement date.

7 (2) After receipt~~[Within ten (10) days of the receipt]~~ of the correctly completed form  
8 entitled "Notification of Retirement"~~[submitted within two (2) months of the~~  
9 ~~effective date of retirement]~~, the system shall cause to be prepared an estimate of  
10 the amounts the member or beneficiary may expect to receive under the various  
11 plans available to the member or beneficiary. This information shall be recorded on  
12 a form entitled "Estimated Retirement Allowance" and forwarded to the member or  
13 beneficiary.~~[If the member submits a form entitled "Notification of Retirement"~~  
14 ~~more than two (2) months prior to the effective retirement date, the system shall~~  
15 ~~provide the form entitled "Estimated Retirement Allowance" within forty five (45)~~  
16 ~~days of the member's effective retirement date.]~~

17 (3) The member or beneficiary shall file at the retirement office the form entitled  
18 "Estimated Retirement Allowance" after he has checked one (1)~~[the]~~ payment  
19 option of his choice, signed the document, and had his signature witnessed. A  
20 member shall not have the right to select a different payment option on or after the  
21 first day of the month in which the member receives his or her first retirement  
22 allowance or after the effective date of a deferred retirement option as provided by  
23 subsection (6) of this section. A beneficiary shall not have the right to select a  
24 different payment option after the effective date of the beneficiary's retirement  
25 allowance as provided in subsection (7) of this section.

26 (4) A member or beneficiary choosing a monthly payment option shall have on file at  
27 the retirement office his birth certificate or other acceptable evidence of date of

1 birth. If a survivorship option is chosen, proof of dates of birth of the beneficiary  
2 and member shall be on file at the retirement office.

3 (5) (a) The effective date of normal retirement shall be the first month following the  
4 month in which employment from all employers participating in any of the  
5 systems administered by Kentucky Retirement Systems was terminated ~~from~~  
6 ~~a regular full-time position~~.

7 (b) The effective date of disability retirement shall be the first month following  
8 the month in which the member's last day of paid employment in a regular  
9 full-time position occurred, provided the member files the form entitled  
10 "Estimated Retirement Allowance" no later than six (6) months following the  
11 date the notification of approval for disability retirement benefits is mailed. If  
12 the member fails to file the form entitled "Estimated Retirement Allowance"  
13 within six (6) months of the date the notification of approval for disability  
14 retirement benefits is mailed, then the member's form entitled "Notification of  
15 Retirement" shall be void. The member shall be required to submit a new  
16 form entitled "Notification of Retirement" to apply for disability retirement  
17 and reestablish eligibility for disability retirement benefits.

18 (c) The effective date of early retirement shall be the first month following the  
19 month a correctly completed~~the~~ form entitled "Notification of Retirement"  
20 is filed at the retirement office or a future month designated by the member, if  
21 employment from all employers participating in any of the systems  
22 administered by Kentucky Retirement Systems~~in a regular full-time~~  
23 ~~position~~ has been terminated and if the member files the form entitled  
24 "Estimated Retirement Allowance" no later than six (6) months following  
25 termination. If the member fails to file the form entitled "Estimated  
26 Retirement Allowance" within six (6) months following the effective  
27 retirement date of the member, then the member's form entitled "Notification



1 of Retirement" shall be void and the member shall be required to submit a  
2 new form entitled "Notification of Retirement" to apply for early retirement.

3 (6) The effective date of a deferred retirement option as provided under KRS 16.576(5)  
4 shall be the month following age sixty-five (65), or the month following written  
5 notification from the member that he wishes to begin receiving retirement  
6 payments. In the event of the death of a member who has deferred his retirement  
7 allowance, the effective date of retirement shall be the month following the  
8 member's death.

9 (7) Notwithstanding the provisions of KRS 16.578 or 61.640, the effective date of a  
10 beneficiary's retirement allowance under normal, early, or disability retirement shall  
11 be as prescribed in subsection (5) or (6) of this section if the member dies before the  
12 first day of the month in which the member would have received his or her first  
13 retirement allowance and his beneficiary becomes eligible for payments under KRS  
14 16.578 or 61.640.

15 ➔Section 15. KRS 61.592 is amended to read as follows:

16 (1) (a) "Hazardous position" for employees participating in the Kentucky Employees  
17 Retirement System, and for employees who begin participating in the County  
18 Employees Retirement System before September 1, 2008, means:

19 1. Any position whose principal duties involve active law enforcement,  
20 including the positions of probation and parole officer and  
21 Commonwealth detective, active fire suppression or prevention, or other  
22 positions, including, but not limited to, pilots of the Transportation  
23 Cabinet and paramedics and emergency medical technicians, with duties  
24 that require frequent exposure to a high degree of danger or peril and  
25 also require a high degree of physical conditioning;

26 2. Positions in the Department of Corrections in state correctional  
27 institutions and the Kentucky Correctional Psychiatric Center with

1 duties that regularly and routinely require face-to-face contact with  
2 inmates; and

3 3. Positions of employees who elect coverage under KRS 196.167(3)(b)2.  
4 and who continue to provide educational services and support to inmates  
5 as a Department of Corrections employee.

6 (b) "Hazardous position" for employees who begin participating in the County  
7 Employees Retirement System on or after September 1, 2008, means police  
8 officers and firefighters as defined in KRS 61.315(1), paramedics, correctional  
9 officers with duties that routinely and regularly require face-to-face contact  
10 with inmates, and emergency medical technicians if:

11 1. The employee's duties require frequent exposure to a high degree of  
12 danger or peril and a high degree of physical conditioning; and

13 2. The employee's duties are not primarily clerical or administrative.

14 (c) The effective date of participation under hazardous duty coverage for  
15 positions in the Department of Alcoholic Beverage Control shall be April 1,  
16 1998. The employer and employee contributions shall be paid by the employer  
17 and forwarded to the retirement system for the period not previously reported.

18 (2) (a) Each employer may request of the board hazardous duty coverage for those  
19 positions as defined in subsection (1) of this section. Upon request, each  
20 employer shall certify to the system, in the manner prescribed by the board,  
21 the names of all employees working in a hazardous position as defined in  
22 subsection (1) of this section for which coverage is requested. The  
23 certification of the employer shall bear the approval of the agent or agency  
24 responsible for the budget of the department or county indicating that the  
25 required employer contributions have been provided for in the budget of the  
26 employing department or county. The system shall determine whether the  
27 employees whose names have been certified by the employer are working in

1 positions meeting the definition of a hazardous position as provided by  
2 subsection (1) of this section. This process shall not be required for employees  
3 who elect coverage under KRS 196.167(3)(b)2.

4 (b) Each employer desiring to provide hazardous duty coverage to employees who  
5 begin participating in the County Employees Retirement System on or after  
6 September 1, 2008, may request that the board approve hazardous duty  
7 coverage for those positions that meet the criteria set forth in subsection (1)(b)  
8 of this section. Each employer shall certify to the system, in the manner  
9 prescribed by the board, the names of all employees working in a hazardous  
10 position as defined in subsection (1)(b) of this section for which coverage is  
11 requested and a job description for each position or employee. The  
12 certification of the employer shall bear the approval of the agent or agency  
13 responsible for the budget of the department or county indicating that the  
14 required employer contributions have been provided for in the budget of the  
15 employing department or county. Each employer shall also certify, under  
16 penalty of perjury in accordance with KRS Chapter 523, that each employee's  
17 actual job duties are accurately reflected in the job description provided to the  
18 system. The system shall determine whether the employees whose names have  
19 been certified by the employer are working in positions meeting the definition  
20 of a hazardous position as defined in subsection (1)(b) of this section. The  
21 board shall have the authority to remove any employee from hazardous duty  
22 coverage if the board determines the employee is not working in a hazardous  
23 duty position or if the employee is classified in a hazardous duty position but  
24 has individual job duties that do not meet the definition of a hazardous duty  
25 position or are not accurately reflected in the job descriptions filed by the  
26 employer with the system.

27 (3) (a) An employee who elects coverage under KRS 196.167(3)(b)2., and an

1 employee participating in the Kentucky Employees Retirement System who is  
2 determined by the system to be working in a hazardous position in accordance  
3 with subsection (2) of this section, shall contribute, for each pay period for  
4 which he receives compensation, eight percent (8%) of his creditable  
5 compensation. An employee participating in the County Employees  
6 Retirement System who is determined by the system to be working in a  
7 hazardous duty position in accordance with subsection (2) of this section shall  
8 contribute, for each pay period for which he receives compensation, eight  
9 percent (8%) of his creditable compensation.

10 (b) Each employer shall pay employer contributions based on the creditable  
11 compensation of the employees determined by the system to be working in a  
12 hazardous position at the employer contribution rate as determined by the  
13 board. The rate shall be determined by actuarial methods consistent with the  
14 provisions of KRS 61.565.

15 (c) If the employer participated in the system prior to electing hazardous duty  
16 coverage, the employer may pay to the system the cost of converting the  
17 nonhazardous service to hazardous service from the date of participation to  
18 the date the payment is made, or the employer may establish a payment  
19 schedule for payment of the cost of the hazardous service above that which  
20 would be funded within the existing employer contribution rate. The employer  
21 may extend the payment schedule to a maximum of thirty (30) years.  
22 Payments made by the employer under this subsection shall be deposited to  
23 the retirement allowance account of the proper retirement system and these  
24 funds shall not be considered accumulated contributions of the individual  
25 members. If the employer elects not to make the additional payment, the  
26 employee may pay the cost of converting the service and provide payment  
27 for the cost as provided by subsection (14) of Section 9 of this Act ~~make the~~

1           ~~lump sum payment in his own behalf or may pay by increments~~. Payments  
2           made by the employee under this subsection shall not be picked up, as  
3           described in KRS 61.560(4), by the employer. If neither the employer nor  
4           employee makes the payment, the service prior to hazardous coverage shall  
5           remain nonhazardous. The provisions of this paragraph shall not apply to  
6           members who begin participating in the systems administered by Kentucky  
7           Retirement Systems on or after January 1, 2014.

8       (4) The normal retirement age, retirement allowance, hybrid cash balance plans, other  
9       benefits, eligibility requirements, rights, and responsibilities of a member in a  
10      hazardous position, as prescribed by subsections (1), (2), and (3) of this section, and  
11      the responsibilities, rights, and requirements of his employer shall be as prescribed  
12      for a member and employer participating in the State Police Retirement System as  
13      provided for by KRS 16.505 to 16.652.

14     (5) Any person employed in a hazardous position after July 1, 1972, shall be required to  
15     undergo a thorough medical examination by a licensed physician, and a copy of the  
16     medical report of the physician shall be retained on file by the employee's  
17     department or county and made available to the system upon request.

18     (6) If doubt exists regarding the benefits payable to a hazardous position employee  
19     under this section, the board shall determine the benefits payable under KRS 61.510  
20     to 61.705, or 78.510 to 78.852, or 16.505 to 16.652.

21     ➔Section 16. KRS 61.680 is amended to read as follows:

22     (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to  
23     any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to  
24     16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.  
25     Thereafter, employee contributions shall be picked up by the employer pursuant to  
26     KRS 61.560(4).

27     (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to

16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714;~~;~~

1. Upon death, disability, or service retirement, a member's accounts under the Legislators' Retirement Plan, State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, and Teachers' Retirement System, except for service prohibited by KRS 161.623(2), shall be consolidated for the purpose of determining eligibility and amount of benefits, including those members who participate in the hybrid cash balance plan within the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System on or after January 1, 2014;~~;~~

2. Vested service credit in a retirement system, other than the Teachers' Retirement System, sponsored by a Kentucky institution of higher education and accepted by the Kentucky Employees Retirement System or the County Employees Retirement System, may be used to determine eligibility for twenty-seven (27) year retirement for an employee who begins participating before September 1, 2008, but not the amount of benefits;~~;~~

3. The computation of benefits shall be based on the applicable formula in each system and service credit in each system, but the final compensation, excluding compensation earned under KRS 161.155(10), shall be determined as if all service were in one (1) system;~~;~~

4. If the member has prior service in more than one (1) system administered by Kentucky Retirement Systems, he shall obtain at least twelve (12) months' current service in each system in which he has prior service in order to validate the prior service in each system for purposes of determining consolidated benefits under this subsection;

1 ~~and~~~~[section.]~~

2 5. Upon the determination of benefits, each system shall pay the applicable  
3 ~~amount of benefits due the member~~~~[percentage of total benefits].~~

4 (b) The provisions of paragraph (a) of this subsection shall be waived if the  
5 member:

6 1. Notifies the system of his desire to maintain separate retirement  
7 accounts in the State Police Retirement System, Kentucky Employees  
8 Retirement System, or County Employees Retirement System; or

9 2. *Fails to simultaneously retire from all state-administered retirement*  
10 *systems in which the member has an account or fails to retire from*  
11 *any other systems not administered by Kentucky Retirement Systems*  
12 *within one (1) month of the member's effective retirement date in the*  
13 *systems administered by Kentucky Retirement Systems.*

14 (c) If the member has not contributed at least one (1) year in a system in which he  
15 has prior service, his current service in the system shall be valid for purposes  
16 of determining eligibility and in computation of benefits on a consolidated  
17 basis.

18 (3) (a) A member with service credit in the Kentucky Employees Retirement System,  
19 State Police Retirement System, or the County Employees Retirement System  
20 who becomes the holder of an office entitling him to membership in the  
21 Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not  
22 elect within thirty (30) days after taking office in such service to participate in  
23 the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have  
24 elected to retain membership in the system in which he is a member, either the  
25 Kentucky Employees Retirement System, State Police Retirement System, or  
26 the County Employees Retirement System. In that event, the agency  
27 employing the member shall withhold employee contributions, or picked-up

1 employee contributions after August 2, 1982, make employer contributions  
2 and remit these contributions to the system in which the member retained his  
3 membership.

4 (b) Any person entitled to membership in the Judicial Retirement Plan or the  
5 Legislators' Retirement Plan, who does not elect within thirty (30) days after  
6 taking office to participate in the plan, in accordance with KRS 6.505 or  
7 21.360, and who at the time of taking office is not a contributing member of,  
8 or does not have service credit in, any of the retirement systems mentioned in  
9 this section, or the Teachers' Retirement System, shall participate in the  
10 Kentucky Employees Retirement System.

11 (c) A member of one (1) of the state-administered retirement plans who ceases to  
12 contribute to the plan as provided in KRS 21.360 and who is employed in a  
13 nonelected position by an agency participating in the Kentucky Retirement  
14 Systems or Kentucky Teachers' Retirement System shall be deemed to have  
15 elected membership in the system in which the employer of the nonelected  
16 position participates. A member of one (1) of the state-administered  
17 retirement plans who ceases to contribute to the plan as provided in KRS  
18 21.360 and who is not employed in a nonelected position by an agency  
19 participating in the Kentucky Retirement Systems shall be deemed to have  
20 elected membership in the Kentucky Employees Retirement System.

21 (4) (a) Prior to July 1, 1976, a person entering the service of an employer  
22 participating in the Kentucky Employees Retirement System or the County  
23 Employees Retirement System with service credit in the Teachers' Retirement  
24 System and who desires to retain membership in the Teachers' Retirement  
25 System, and who is permitted by that system to continue, shall be exempt  
26 from participating in the Kentucky Employees Retirement System or the  
27 County Employees Retirement System.



- 1 (b) Any person who has elected to retain membership in the Teachers' Retirement  
2 System as provided in paragraph (a) of this subsection may cancel his election  
3 and participate in the system under which his position would normally  
4 participate, if he elects to cancel his option prior to January 1, 1977.
- 5 (c) Any member of the General Assembly who upon election is a contributing  
6 member of the Teachers' Retirement System and who does not elect within  
7 thirty (30) days after taking office to participate in the Legislators' Retirement  
8 Plan, in accordance with KRS 6.505, shall during his term of office participate  
9 in the Kentucky Employees Retirement System unless an election to retain  
10 membership in the Teachers' Retirement System is filed in writing within  
11 ninety (90) days after his term of office begins. No contributions may be made  
12 to the Teachers' Retirement System for the same period of service under the  
13 Legislators' Retirement Plan or the Kentucky Employees Retirement System  
14 as a member of the General Assembly, but contributions made to the Teachers'  
15 Retirement System while a member of the General Assembly shall be  
16 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,  
17 when the member elects to join the Legislators' Retirement Plan, and service  
18 credit in the Legislators' Retirement Plan shall be granted as provided for in  
19 KRS 6.505(5).
- 20 (5) ~~[Effective July 1, 1974,]~~ Any member of the Kentucky Employees Retirement  
21 System or County Employees Retirement System who is working in a position  
22 covered by one (1) of these retirement systems and his employee contributions,  
23 service credit and employer contributions made on his behalf are being transferred  
24 to the other retirement system shall contribute to the system in which his employer  
25 participates, or after August 1, 1982, the employer shall pick up the employee  
26 contributions, and no further contributions or service credit shall be transferred to  
27 the system in which he elected to retain membership, as subsection (2) of this

1 section eliminates the necessity of the transfers.

2 (6) Any member of the Kentucky Employees Retirement System or County Employees  
3 Retirement System who is working in more than one (1) position covered by the  
4 same retirement system, shall have his wages and contributions consolidated and his  
5 retirement account administered as a single account. If part-time positions are  
6 involved, an accumulation of all hours worked within the same retirement system  
7 shall be used to determine eligibility under KRS 61.510(21).

8 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who  
9 does not have the amount of service required for service retirement in the  
10 State Police Retirement System, Kentucky Employees Retirement System,  
11 County Employees Retirement System, Legislators' Retirement Plan, or  
12 Teachers' Retirement System, but who is a member of one (1) of the systems  
13 or is a former member of one (1) or more of the systems with valid service  
14 credit therein, shall become eligible for service retirement benefits attributable  
15 to the amount of his actual service credit in each system in which he has  
16 service credit when his combined service credit in all the systems, plus any  
17 service credit he has in the Judicial Retirement Plan, is equal to that required  
18 for service retirement in each respective system. The computation of benefits  
19 shall be based on the applicable formula in each system and service credit in  
20 each system, except that total service in all systems, unless prohibited by KRS  
21 161.623(2), shall be used to determine the reduction for early retirement, if  
22 any. Except as provided in KRS 21.360, the final compensation shall be  
23 determined by using the creditable compensation reported to the State Police  
24 Retirement System, Kentucky Employees Retirement System, County  
25 Employees Retirement System, Legislators' Retirement Plan, or Teachers'  
26 Retirement System and only as much of the compensation earned in the  
27 Judicial Retirement Plan as is needed to satisfy the final compensation

1 requirement applicable in the respective retirement systems.

2 **(b) Paragraph (a) of this subsection shall be waived if the member fails to**  
3 **simultaneously retire from all state-administered retirement systems in**  
4 **which the member has an account or fails to retire from any other systems**  
5 **not administered by Kentucky Retirement Systems within one (1) month of**  
6 **the member's effective retirement date in the systems administered by the**  
7 **Kentucky Retirement Systems.**

8 (8) Each retirement system from which the member retires shall pay a retirement  
9 allowance upon receipt of required forms and documents, except that no retirement  
10 system shall pay a retirement allowance or annuity until all forms and documents  
11 are filed at all retirement systems in compliance with each system's requirements.

12 ➔Section 17. KRS 78.510 is amended to read as follows:

13 As used in KRS 78.510 to 78.852, unless the context otherwise requires:

- 14 (1) "System" means the County Employees Retirement System;
- 15 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- 16 (3) "County" means any county, or nonprofit organization created and governed by a  
17 county, counties, or elected county officers, sheriff and his employees, county clerk  
18 and his employees, circuit clerk and his deputies, former circuit clerks or former  
19 circuit clerk deputies, or political subdivision or instrumentality, including school  
20 boards, charter county government, or urban-county government participating in the  
21 system by order appropriate to its governmental structure, as provided in KRS  
22 78.530, and if the board is willing to accept the agency, organization, or  
23 corporation, the board being hereby granted the authority to determine the eligibility  
24 of the agency to participate;
- 25 (4) "School board" means any board of education participating in the system by order  
26 appropriate to its governmental structure, as provided in KRS 78.530, and if the  
27 board is willing to accept the agency or corporation, the board being hereby granted

- 1 the authority to determine the eligibility of the agency to participate;
- 2 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 3 (6) "Employee" means every regular full-time appointed or elective officer or employee  
4 of a participating county and the coroner of a participating county, whether or not he  
5 qualifies as a regular full-time officer. The term shall not include persons engaged  
6 as independent contractors, seasonal, emergency, temporary, and part-time workers.  
7 In case of any doubt, the board shall determine if a person is an employee within the  
8 meaning of KRS 78.510 to 78.852;
- 9 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
10 officials of a county, or any authority of the county having the power to appoint or  
11 elect an employee to office or employment in the county;
- 12 (8) "Member" means any employee who is included in the membership of the system or  
13 any former employee whose membership has not been terminated under KRS  
14 61.535;
- 15 (9) "Service" means the total of current service and prior service as defined in this  
16 section;
- 17 (10) "Current service" means the number of years and months of employment as an  
18 employee, on and after July 1, 1958, for which creditable compensation is paid and  
19 employee contributions deducted, except as otherwise provided;
- 20 (11) "Prior service" means the number of years and completed months, expressed as a  
21 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
22 creditable compensation was paid. An employee shall be credited with one (1)  
23 month of prior service only in those months he received compensation for at least  
24 one hundred (100) hours of work. Twelve (12) months of current service in the  
25 system shall be required to validate prior service;
- 26 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
27 compensation of a member and credited to his individual account in the members'

1 account, including employee contributions picked up after August 1, 1982, pursuant  
2 to KRS 78.610(4), together with interest credited on the amounts, and any other  
3 amounts the member shall have contributed thereto, including interest credited  
4 thereon. For members who begin participating on or after September 1, 2008,  
5 "accumulated contributions" shall not include employee contributions that are  
6 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
7 funds established in KRS 16.510, 61.515, and 78.520, as prescribed by KRS  
8 61.702(2)(b);

9 (13) "Creditable compensation":

10 (a) Means all salary, wages, and fees, including payments for compensatory time,  
11 paid to the employee as a result of services performed for the employer or for  
12 time during which the member is on paid leave, which are includable on the  
13 member's federal form W-2 wage and tax statement under the heading "wages,  
14 tips, other compensation", including employee contributions picked up after  
15 August 1, 1982, pursuant to KRS 78.610(4);~~[-]~~

16 (b) Includes:~~[-A-]~~

17 1. Lump-sum bonuses~~[bonus]~~, severance pay, or employer-provided  
18 payments~~[payment]~~ for purchase of service credit, which~~[-]~~ ~~shall be~~  
19 ~~included as creditable compensation but~~ shall be averaged over the  
20 employee's service with the system in which it is recorded if it is equal  
21 to or greater than one thousand dollars (\$1,000);~~[-]~~

22 2. Cases where~~[H]~~ compensation includes maintenance and other  
23 perquisites, but the board shall fix the value of that part of the  
24 compensation not paid in money;~~[-]~~

25 3. Lump-sum payments for creditable compensation paid as a result of  
26 an order of a court of competent jurisdiction, the Personnel Board, or  
27 the Commission on Human Rights, or for any creditable

1                   compensation paid in anticipation of settlement of an action before a  
2                   court of competent jurisdiction, the Personnel Board, or the  
3                   Commission on Human Rights, including notices of violations of state  
4                   or federal wage and hour statutes or violations of state or federal  
5                   discrimination statutes, which shall be credited to the fiscal year  
6                   during which the wages were earned or should have been paid by the  
7                   employer. This subparagraph shall also include lump-sum payments  
8                   for reinstated wages pursuant to KRS 61.569, which shall be credited  
9                   to the period during which the wages were earned or should have been  
10                  paid by the employer;

11                4. Amounts which are not includable in the member's gross income by  
12                virtue of the member having taken a voluntary salary reduction  
13                provided for under applicable provisions of the Internal Revenue  
14                Code; and

15                5. Elective amounts for qualified transportation fringes paid or made  
16                available on or after January 1, 2001, for calendar years on or after  
17                January 1, 2001, that are not includable in the gross income of the  
18                employee by reason of 26 U.S.C. sec. 132(f)(4); and

19                (c) Excludes:

20                1. Living allowances, expense reimbursements, lump-sum payments for  
21                accrued vacation leave, sick leave except as provided in KRS 78.616(5),  
22                and other items determined by the board; [shall be excluded. Creditable  
23                compensation shall also include amounts that are not includable in the  
24                member's gross income by virtue of the member having taken a  
25                voluntary salary reduction provided for under applicable provisions of  
26                the Internal Revenue Code. Creditable compensation shall also include  
27                elective amounts for qualified transportation fringes paid or made

1 ~~available on or after January 1, 2001, for calendar years on or after~~  
2 ~~January 1, 2001, that are not includable in the gross income of the~~  
3 ~~employee by reason of 26 U.S.C. sec. 132(f)(4).]~~

4 2. For employees who begin participating on or after September 1, 2008,  
5 ~~lump-sum~~~~[creditable compensation shall not include ]~~payments for  
6 compensatory time; and~~[.]~~

7 3. ~~[Creditable compensation shall not include ]~~Training incentive payments  
8 for city officers paid as set out in KRS 64.5277 to 64.5279. For  
9 employees who begin participating on or after August 1, 2016,  
10 creditable compensation shall exclude nominal fees paid for services as  
11 a volunteer;

12 (14) "Final compensation" means:

13 (a) For a member who begins participating before September 1, 2008, who is not  
14 employed in a hazardous position, as provided in KRS 61.592, the creditable  
15 compensation of the member during the five (5) fiscal years he was paid at the  
16 highest average monthly rate divided by the number of months of service  
17 credit during that five (5) year period multiplied by twelve (12). The five (5)  
18 years may be fractional and need not be consecutive. If the number of months  
19 of service credit during the five (5) year period is less than forty-eight (48),  
20 one (1) or more additional fiscal years shall be used;

21 (b) For a member who is not employed in a hazardous position, as provided in  
22 KRS 61.592, whose effective retirement date is between August 1, 2001, and  
23 January 1, 2009, and whose total service credit is at least twenty-seven (27)  
24 years and whose age and years of service total at least seventy-five (75), final  
25 compensation means the creditable compensation of the member during the  
26 three (3) fiscal years the member was paid at the highest average monthly rate  
27 divided by the number of months of service credit during that three (3) year

1 period multiplied by twelve (12). The three (3) years may be fractional and  
2 need not be consecutive. If the number of months of service credit during the  
3 three (3) year period is less than twenty-four (24), one (1) or more additional  
4 fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the  
5 funding for this paragraph shall be provided from existing funds of the  
6 retirement allowance;

7 (c) For a member who begins participating before September 1, 2008, who is  
8 employed in a hazardous position, as provided in KRS 61.592, the creditable  
9 compensation of the member during the three (3) fiscal years he was paid at  
10 the highest average monthly rate divided by the number of months of service  
11 credit during that three (3) year period multiplied by twelve (12). The three (3)  
12 years may be fractional and need not be consecutive. If the number of months  
13 of service credit during the three (3) year period is less than twenty-four (24),  
14 one (1) or more additional fiscal years shall be used;

15 (d) For a member who begins participating on or after September 1, 2008, but  
16 prior to January 1, 2014, who is not employed in a hazardous position, as  
17 provided in KRS 61.592, the creditable compensation of the member during  
18 the five (5) complete fiscal years immediately preceding retirement divided by  
19 five (5). Each fiscal year used to determine final compensation must contain  
20 twelve (12) months of service credit. If the member does not have five (5)  
21 complete fiscal years that each contain twelve (12) months of service credit,  
22 then one (1) or more additional fiscal years shall be used; or

23 (e) For a member who begins participating on or after September 1, 2008, but  
24 prior to January 1, 2014, who is employed in a hazardous position, as  
25 provided in KRS 61.592, the creditable compensation of the member during  
26 the three (3) complete fiscal years he was paid at the highest average monthly  
27 rate divided by three (3). Each fiscal year used to determine final



- 1 compensation must contain twelve (12) months of service credit;
- 2 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
3 calculated during the twelve (12) month period immediately preceding the  
4 member's effective retirement date, and shall include employee contributions picked  
5 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to  
6 the system by the employer and the following equivalents shall be used to convert  
7 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
8 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half  
9 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve  
10 (12) months, one (1) year;
- 11 (16) "Retirement allowance" means the retirement payments to which a member is  
12 entitled;
- 13 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
14 basis of the actuarial tables adopted by the board. In cases of disability retirement,  
15 the options authorized by KRS 61.635 shall be computed by adding ten (10) years  
16 to the age of the member, unless the member has chosen the Social Security  
17 adjustment option as provided for in KRS 61.635(8), in which case the member's  
18 actual age shall be used. For members who begin participating in the system prior to  
19 January 1, 2014, no disability retirement option shall be less than the same option  
20 computed under early retirement;
- 21 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless  
22 otherwise provided in KRS 78.510 to 78.852;
- 23 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
24 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
25 limitation year used to determine contribution and benefits limits as set out in 26  
26 U.S.C. sec. 415;
- 27 (20) "Agency reporting official" means the person designated by the participating agency

1 who shall be responsible for forwarding all employer and employee contributions  
2 and a record of the contributions to the system and for performing other  
3 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;

4 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
5 all positions that average one hundred (100) or more hours per month, determined  
6 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
7 (80) or more hours per month in the case of noncertified employees of school  
8 boards, determined by using the number of hours actually worked in a calendar or  
9 school year, unless otherwise specified, except:

10 (a) Seasonal positions, which although temporary in duration, are positions which  
11 coincide in duration with a particular season or seasons of the year and that  
12 may recur regularly from year to year, in which case the period of time shall  
13 not exceed nine (9) months, except for employees of school boards, in which  
14 case the period of time shall not exceed six (6) months;

15 (b) Emergency positions that are positions that do not exceed thirty (30) working  
16 days and are nonrenewable;

17 (c) Temporary~~[-, also referred to as probationary,]~~ positions that are positions of  
18 employment with a participating agency for a period of time not to exceed  
19 twelve (12) months and not renewable;~~[-or]~~

20 (d) Probationary positions which are positions of employment with a  
21 participating employer that do not exceed twelve (12) months and that are  
22 used uniformly by the participating agency on new employees who would  
23 otherwise be eligible for participation in the system. Probationary positions  
24 shall not be renewable by the participating employer for the same employee,  
25 unless the employee has not been employed with the participating employer  
26 for a period of at least twelve (12) months; or

27 (e) Part-time positions that are positions that may be permanent in duration, but

1           that require less than a calendar or fiscal year average of one hundred (100)  
2           hours of work per month, determined by using the number of months actually  
3           worked within a calendar or fiscal year, in the performance of duty, except in  
4           case of noncertified employees of school boards, the school term average shall  
5           be eighty (80) hours of work per month, determined by using the number of  
6           months actually worked in a calendar or school year, in the performance of  
7           duty;

8       (22) "Alternate participation plan" means a method of participation in the system as  
9           provided for by KRS 78.530(3);

10      (23) "Retired member" means any former member receiving a retirement allowance or  
11           any former member who has on file at the retirement office the necessary  
12           documents for retirement benefits and is no longer contributing to the system;

13      (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
14           monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
15           pay. The rate shall be certified by the employer;

16      (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
17           member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
18           in the event of the member's death. As used in KRS 61.702, beneficiary shall not  
19           mean an estate, trust, or trustee;

20      (26) "Recipient" means the retired member, the person or persons designated as  
21           beneficiary by the member and drawing a retirement allowance as a result of the  
22           member's death, or a dependent child drawing a retirement allowance. An alternate  
23           payee of a qualified domestic relations order shall not be considered a recipient,  
24           except for purposes of KRS 61.623;

25      (27) "Person" means a natural person;

26      (28) "School term or year" means the twelve (12) months from July 1 through the  
27           following June 30;

- 1 (29) "Retirement office" means the Kentucky Retirement Systems office building in  
2 Frankfort;
- 3 (30) "Delayed contribution payment" means an amount paid by an employee for current  
4 service obtained under KRS 61.552. The amount shall be determined using the  
5 same formula in KRS 61.5525, except the determination of the actuarial cost for  
6 classified employees of a school board shall be based on their final compensation,  
7 and the payment shall not be picked up by the employer. A delayed contribution  
8 payment shall be deposited to the member's account and considered as accumulated  
9 contributions of the individual member. In determining payments under this  
10 subsection, the formula found in this subsection shall prevail over the one found in  
11 KRS 212.434;
- 12 (31) "Participating" means an employee is currently earning service credit in the system  
13 as provided in KRS 78.615;
- 14 (32) "Month" means a calendar month;
- 15 (33) "Membership date" means the date upon which the member began participating in  
16 the system as provided in KRS 78.615;
- 17 (34) "Participant" means a member, as defined by subsection (8) of this section, or a  
18 retired member, as defined by subsection (23) of this section;
- 19 (35) "Qualified domestic relations order" means any judgment, decree, or order,  
20 including approval of a property settlement agreement, that:
- 21 (a) Is issued by a court or administrative agency; and  
22 (b) Relates to the provision of child support, alimony payments, or marital  
23 property rights to an alternate payee;
- 24 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
25 participant, who is designated to be paid retirement benefits in a qualified domestic  
26 relations order;
- 27 (37) "Accumulated employer credit" means the employer pay credit deposited to the

1 member's account and interest credited on such amounts as provided by KRS  
2 16.583 and 61.597;

3 (38) "Accumulated account balance" means:

4 (a) For members who began participating in the system prior to January 1, 2014,  
5 the member's accumulated contributions; or

6 (b) For members who began participating in the system on or after January 1,  
7 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,  
8 the combined sum of the member's accumulated contributions and the  
9 member's accumulated employer credit;

10 (39) "Volunteer" means an individual who:

11 (a) Freely and without pressure or coercion performs hours of service for an  
12 employer participating in one (1) of the systems administered by Kentucky  
13 Retirement Systems without receipt of compensation for services rendered,  
14 except for reimbursement of actual expenses, payment of a nominal fee to  
15 offset the costs of performing the voluntary services, or both; and

16 (b) If a retired member, does not become an employee, leased employee, or  
17 independent contractor of the employer for which he or she is performing  
18 volunteer services for a period of at least twenty-four (24) months following  
19 the retired member's most recent retirement date; and

20 (40) "Nominal fee" means compensation earned for services as a volunteer that does not  
21 exceed five hundred dollars (\$500) per month. Compensation earned for services as  
22 a volunteer from more than one (1) participating employer during a month shall be  
23 aggregated to determine whether the compensation exceeds the five hundred dollars  
24 (\$500) per month maximum provided by this subsection.

25 ➔Section 18. KRS 78.540 is amended to read as follows:

26 Membership in the system shall consist of the following:

27 (1) All persons who become employees of a participating county after the date the

1 county first participates in the system,~~[except a person who did not elect~~  
2 ~~membership pursuant to KRS 61.545(3), and]~~ except that mayors and members of  
3 city legislative bodies may decline prior to their participation in the system and city  
4 managers or other appointed local government executives who participate in a  
5 retirement system, other than Social Security, may decline prior to their  
6 participation in the system;

7 (2) (a) All persons who are employees of a county on the date the county first  
8 participates in the system, either in service or on authorized leave from  
9 service, and who elect within thirty (30) days next following the county's  
10 participation, or in the case of persons on authorized leave, within thirty (30)  
11 days of their return to active service, to become members and thereby agree to  
12 make contributions as provided in KRS 78.520 to 78.852;

13 (b) All persons who are employees of a county who did not elect to participate  
14 within thirty (30) days of the date the county first participated in the system or  
15 within thirty (30) days of their return to active service and who subsequently  
16 elect to participate the first day of a month after the county's date of  
17 participation;

18 (3) All persons who declined participation in subsection (1) of this section and who  
19 later elect to participate. Persons who elect to participate under this subsection may  
20 purchase service credit for any prior years by paying a delayed contribution  
21 payment, provided the person began participating in the system prior to January 1,  
22 2014. The service shall not be included in the member's total service for purposes of  
23 determining benefits under KRS 61.702; and

24 (4) All persons electing coverage in the system under KRS 78.530(3)(d).

25 (5) The provisions of subsections (1) and (2) of this section notwithstanding, cities  
26 which participate in the CERS and close existing local pension systems to new, or  
27 all members pursuant to the provisions of KRS 78.530, 95.520, 95.621, or 95.852

1 shall not be required to provide membership in the County Employees Retirement  
2 System to employees in any employee category not covered by a city pension  
3 system at the date of participation.

4 (6) Membership in the system shall not include persons who are not eligible to  
5 participate in the system as provided by KRS 61.522 or those employees who are  
6 simultaneously participating in another state-administered defined benefit plan  
7 within Kentucky other than those administered by the Kentucky Retirement  
8 Systems, except for employees who have ceased to contribute to one (1) of the  
9 state-administered retirement plans as provided in KRS 21.360.

10 ➔Section 19. KRS 78.610 is amended to read as follows:

11 (1) Each employee shall, commencing on August 1, 1990, contribute, for each pay  
12 period for which he receives compensation, five percent (5%) of his creditable  
13 compensation~~[unless he did not elect membership pursuant to KRS 61.545(3)]~~.

14 (2) The agency reporting official of a participating county shall cause to be deducted  
15 from the "creditable compensation" of each employee for each and every payroll  
16 period subsequent to the date the county participated in the system the contribution  
17 payable by the member as provided in KRS 78.510 to 78.852. The agency reporting  
18 official shall promptly pay the deducted employee contributions to the system in  
19 accordance with KRS 78.625.

20 (3) The deductions provided for in subsection (2) of this section shall be made  
21 notwithstanding that the minimum compensation provided by law for any employee  
22 shall be reduced thereby. Every employee shall be deemed to consent and agree to  
23 the deductions made as provided in subsection (2) of this section; and payment of  
24 salary or compensation less the deductions shall be a full and complete discharge of  
25 all claims for services rendered by the person during the period covered by the  
26 payment, except as to any benefits provided by KRS 78.510 to 78.852.

27 (4) Each employer shall, solely for the purpose of compliance with Section 414(h) of

1 the United States Internal Revenue Code, pick up the employee contributions  
2 required by this section for all compensation earned after August 1, 1982, and the  
3 contributions picked up shall be treated as employer contributions in determining  
4 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).  
5 These contributions shall not be included as gross income of the employee until the  
6 contributions are distributed or made available to the employee. The picked-up  
7 employee contribution shall satisfy all obligations to the retirement system satisfied  
8 prior to August 1, 1982, by the employee contribution, and the picked-up employee  
9 contribution shall be in lieu of an employee contribution. Each employer shall pay  
10 these picked-up employee contributions from the same source of funds which is  
11 used to pay earnings to the employee. The employee shall have no option to receive  
12 the contributed amounts directly instead of having them paid by the employer to the  
13 system. Employee contributions picked up after August 1, 1982, shall be treated for  
14 all purposes of KRS 78.510 to 78.852 in the same manner and to the same extent as  
15 employee contributions made prior to August 1, 1982.

16 (5) The provisions of this section shall not apply to individuals who are not eligible for  
17 membership as provided by KRS 61.522.

18 ➔Section 20. KRS 78.615 is amended to read as follows:

19 (1) Employee contributions shall be deducted each payroll period from the creditable  
20 compensation of each employee of an agency participating in the system while he is  
21 classified as regular full-time as defined in KRS 78.510 unless the person did not  
22 elect to become a member as provided by ~~KRS 61.545(3) or by~~ KRS 78.540(2) or  
23 is not eligible to participate in the system as provided by KRS 61.522. After August  
24 1, 1982, employee contributions shall be picked up by the employer pursuant to  
25 KRS 78.610(4).

26 (a) For employees who are not employed by a school board, service credit shall  
27 be allowed for each month contributions are deducted or picked up during a



1 fiscal or calendar year, if the employee receives creditable compensation for  
2 an average of one hundred (100) hours or more of work per month based on  
3 the actual hours worked in a calendar or fiscal year. If the average number of  
4 hours of work is less than one hundred (100) hours per month, the employee  
5 shall be allowed credit only for those months he receives creditable  
6 compensation for one hundred (100) hours of work.

7 (b) For noncertified employees of school boards, for service prior to July 1, 2000,  
8 service credit shall be allowed for each month contributions are deducted or  
9 picked up under the employee's employment contract during a school year  
10 determined by dividing the actual number of contracted calendar days worked  
11 by twenty (20) and rounded to the nearest whole month if the employee  
12 receives creditable compensation for an average of eighty (80) or more hours  
13 of work per month based on the employee's employment contract. The school  
14 board shall certify the number of calendar days worked, the rate of pay, and  
15 the hours in a work day for each employee monthly or annually. The employer  
16 shall file at the retirement office the final monthly report or the annual report  
17 for a fiscal year no later than twenty (20) days following the completion of the  
18 fiscal year. The retirement system shall impose a penalty on the employer of  
19 one thousand dollars (\$1,000) if the information is not submitted by the date  
20 required with an additional two hundred and fifty dollars (\$250) for each  
21 additional thirty (30) day period the information is reported late.

22 1. If the employee works fewer than the number of contracted calendar  
23 days, the employee shall receive service credit determined by dividing  
24 the actual number of contracted calendar days worked by twenty (20)  
25 and rounded to the nearest whole month, provided that the number of  
26 hours worked during the period averages eighty (80) or more hours.

27 2. If the employee works fewer than the number of contracted calendar

1 days and the average number of hours worked is less than eighty (80) per  
2 month, then the employee shall receive service credit for each calendar  
3 month in which he worked eighty (80) or more hours.

4 3. The retirement system shall refund contributions and service credit for  
5 any period for which the employee is not given credit under this  
6 subsection.

7 (c) For noncertified employees of school boards, for service on and after July 1,  
8 2000, at the close of each fiscal year, the retirement system shall add service  
9 credit to the account of each employee who made contributions to his or her  
10 account during the year. Employees shall be entitled to a full year of service  
11 credit if their total paid calendar days were not less than one hundred eighty  
12 (180) calendar days for a regular school or fiscal year. In the event an  
13 employee is paid for less than one hundred eighty (180) calendar days, the  
14 employee may purchase credit according to administrative regulations  
15 promulgated by the system. In no case shall more than one (1) year of service  
16 be credited for all service performed in one (1) fiscal year. Employees who  
17 complete their employment contract prior to the close of a fiscal year and elect  
18 to retire prior to the close of a fiscal year shall have their service credit  
19 reduced by eight percent (8%) for each calendar month that the retirement  
20 becomes effective prior to July 1. Employees who are employed and paid for  
21 less than the number of calendar days required in their normal employment  
22 year shall be entitled to pro rata service credit for the fractional service. This  
23 credit shall be based upon the number of calendar days employed and the  
24 number of calendar days in the employee's annual employment agreement or  
25 normal employment year. Service credit may not exceed the ratio between the  
26 school or fiscal year and the number of months or fraction of a month the  
27 employee is employed during that year.

1 (d) Notwithstanding paragraph (c) of this subsection, a noncertified employee of a  
2 school board who retires between July 1, 2000, and August 1, 2001, may  
3 choose to have service earned between July 1, 2000, and August 1, 2001,  
4 credited as described in paragraph (b) of this subsection, if the employee or  
5 retired member notifies the retirement system within one (1) year of his initial  
6 retirement. The decision once made shall be irrevocable.

7 (2) Employee contributions shall not be deducted from the creditable compensation of  
8 any employee or picked up by the employer while he is seasonal, emergency,  
9 temporary, or part-time. No service credit shall be earned.

10 (3) Contributions shall not be made or picked up by the employer and no service credit  
11 shall be earned by a member while on leave except:

12 (a) A member on military leave shall be entitled to service credit in accordance  
13 with KRS 61.555; and

14 (b) A member on educational leave who meets the criteria established by the state  
15 Personnel Cabinet for approved educational leave, who is receiving seventy-  
16 five percent (75%) or more of full salary, shall receive service credit and shall  
17 pay member contributions in accordance with KRS 78.610, and his employer  
18 shall pay employer contributions or the contributions shall be picked up in  
19 accordance with KRS 61.565. If a tuition agreement is broken by the member,  
20 the member and employer contributions paid or picked up during the period of  
21 educational leave shall be refunded.

22 (4) The retirement office, upon detection, shall refund any erroneous employer and  
23 employee contributions made to the retirement system and any interest credited in  
24 accordance with KRS 78.640.

25 ➔Section 21. KRS 61.702 is amended to read as follows:

26 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by  
27 appropriate contract or on a self-insured basis to provide a group

1 hospital and medical insurance plan for present and future recipients of a  
2 retirement allowance from the Kentucky Employees Retirement System,  
3 County Employees Retirement System, and State Police Retirement  
4 System, except as provided in subsection (8) of this section. The board  
5 shall also arrange to provide health care coverage through an insurer  
6 licensed pursuant to Subtitle 38 of KRS Chapter 304 and offering a  
7 managed care plan as defined in KRS 304.17A-500, as an alternative to  
8 group hospital and medical insurance for any person eligible for hospital  
9 and medical benefits under this section.

10 2. Any person who chooses coverage under a hospital and medical  
11 insurance plan shall pay, by payroll deduction from the retirement  
12 allowance or by another method, the difference in premium between the  
13 cost of the hospital and medical insurance plan coverage and the benefits  
14 to which he would be entitled under this section.

15 3. For purposes of this section, "hospital and medical insurance plan" may  
16 include, at the board's discretion, any one (1) or more of the following:

17 a. Any hospital and medical expense policy or certificate, provider-  
18 sponsored integrated health delivery network, self-insured medical  
19 plan, health maintenance organization contract, or other health  
20 benefit plan;

21 b. Any health savings account as permitted by 26 U.S.C. sec. 223 or  
22 health reimbursement arrangement or a similar account as may be  
23 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or  
24 account, in the board's discretion, may reimburse any medical  
25 expense permissible under 26 U.S.C. sec. 213; or

26 c. A medical insurance reimbursement program established by the  
27 board through the promulgation of administrative regulation under

1                   which members purchase individual health insurance coverage  
2                   through a health insurance exchange established under 42 U.S.C.  
3                   sec. 18031 or 18041.

4           (b) The board may authorize present and future recipients of a retirement  
5           allowance from any of the three (3) retirement systems to be included in the  
6           state employees' group for hospital and medical insurance and shall provide  
7           benefits for recipients equal to those provided to state employees having the  
8           same Medicare hospital and medical insurance eligibility status, except as  
9           provided in subsection (8) of this section. Notwithstanding the provisions of  
10          any other statute, recipients shall be included in the same class as current state  
11          employees in determining medical insurance policies and premiums.

12          (c) For recipients of a retirement allowance who are not eligible for the same  
13          level of hospital and medical benefits as recipients living in Kentucky having  
14          the same Medicare hospital and medical insurance eligibility status, the board  
15          shall provide a medical insurance reimbursement plan as described in  
16          subsection (7) of this section.

17          (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of  
18          trustees, in its discretion, may take necessary steps to ensure compliance with  
19          42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving  
20          contributions and premiums from, and providing benefits pursuant to this  
21          section to, persons entitled to continuation coverage under 42 U.S.C. secs.  
22          300bb-1 et seq., regardless of whether such persons are recipients of a  
23          retirement allowance.

24    (2) (a) Each employer participating in the State Police Retirement System as  
25          provided for in KRS 16.505 to 16.652, each employer participating in the  
26          County Employees Retirement System as provided in KRS 78.510 to 78.852,  
27          and each employer participating in the Kentucky Employees Retirement

1 System as provided for in KRS 61.510 to 61.705 shall contribute to the  
2 Kentucky Retirement Systems insurance trust fund the amount necessary to  
3 provide hospital and medical insurance as provided for under this section.  
4 Such employer contribution rate shall be developed by appropriate actuarial  
5 method as a part of the determination of each respective employer  
6 contribution rate to each respective retirement system determined under KRS  
7 61.565.

- 8 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct  
9 from the creditable compensation of each member having a membership  
10 date on or after September 1, 2008, an amount equal to one percent (1%)  
11 of the member's creditable compensation. The deducted amounts shall  
12 be credited to accounts established pursuant to 26 U.S.C. sec. 401(h),  
13 within the funds established in KRS 16.510, 61.515, and 78.520.
- 14 2. The employer shall file the contributions as provided by subparagraph 1.  
15 of this paragraph at the retirement office in accordance with KRS 61.675  
16 and 78.625. Any interest or penalties paid on any delinquent  
17 contributions shall be credited to accounts established pursuant to 26  
18 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515,  
19 and 78.520. Notwithstanding any minimum compensation requirements  
20 provided by law, the deductions provided by this paragraph shall be  
21 made, and the compensation of the member shall be reduced  
22 accordingly.
- 23 3. Each employer shall submit payroll reports, contributions lists, and other  
24 data as may be required by administrative regulation promulgated by the  
25 board of trustees pursuant to KRS Chapter 13A.
- 26 4. Every member shall be deemed to consent and agree to the deductions  
27 made pursuant to this paragraph, and the payment of salary or

1 compensation less the deductions shall be a full and complete discharge  
2 of all claims for services rendered by the person during the period  
3 covered by the payment, except as to any benefits provided by KRS  
4 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member  
5 may elect whether to participate in, or choose the contribution amount to  
6 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
7 established in KRS 16.510, 61.515, and 78.520. The member shall have  
8 no option to receive the contribution required by this paragraph directly  
9 instead of having the contribution paid to accounts established pursuant  
10 to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,  
11 61.515, and 78.520. No member may receive a rebate or refund of  
12 contributions. If a member establishes a membership date prior to  
13 September 1, 2008, pursuant to KRS 61.552(1) or 61.552~~(20)~~~~(23)~~, then  
14 this paragraph shall not apply to the member and all contributions  
15 previously deducted in accordance with this paragraph shall be refunded  
16 to the member without interest. The contribution made pursuant to this  
17 paragraph shall not act as a reduction or offset to any other contribution  
18 required of a member or recipient under KRS 16.505 to 16.652, 61.510  
19 to 61.705, and 78.510 to 78.852.

20 5. The board of trustees, at its discretion, may direct that the contributions  
21 required by this paragraph be accounted for within accounts established  
22 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
23 16.510, 61.515, and 78.520 through the use of separate accounts.

24 (3) (a) The premium required to provide hospital and medical benefits under this  
25 section shall be paid:

26 1. Wholly or partly from funds contributed by the recipient of a retirement  
27 allowance, by payroll deduction, or otherwise;

- 1           2.   Wholly or partly from funds contributed by the Kentucky Retirement  
2               Systems insurance trust fund;
- 3           3.   Wholly or partly from funds contributed to accounts established  
4               pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS  
5               16.510, 61.515, and 78.520;
- 6           4.   Wholly or partly from funds contributed by another state-administered  
7               retirement system under a reciprocal arrangement, except that any  
8               portion of the premium paid from the Kentucky Retirement Systems  
9               insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
10              401(h) within the funds established in KRS 16.510, 61.515, and 78.520  
11              under a reciprocal agreement shall not exceed the amount that would be  
12              payable under this section if all the member's service were in one (1) of  
13              the systems administered by the Kentucky Retirement Systems;
- 14          5.   Partly from subparagraphs 1. to 4. of this paragraph, except that any  
15               premium for hospital and medical insurance over the amount contributed  
16               by the Kentucky Retirement Systems insurance trust fund; accounts  
17               established pursuant to 26 U.S.C. sec. 401(h) within the funds  
18               established in KRS 16.510, 61.515, and 78.520; or another state-  
19               administered retirement system under a reciprocal agreement shall be  
20               paid by the recipient by an automatic electronic transfer of funds. If the  
21               board provides for cross-referencing of insurance premiums, the  
22               employer's contribution for the working member or spouse shall be  
23               applied toward the premium, and the Kentucky Retirement Systems  
24               insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
25               401(h) within the funds established in KRS 16.510, 61.515, and 78.520  
26               shall pay the balance, not to exceed the monthly contribution; or
- 27          6.   In full from the Kentucky Retirement Systems insurance trust fund or



1 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
2 established in KRS 16.510, 61.515, and 78.520 for all recipients of a  
3 retirement allowance from any of the three (3) retirement systems where  
4 such recipient is a retired former member of one (1) or more of the three  
5 (3) retirement systems (not a beneficiary or dependent child receiving  
6 benefits) and had two hundred and forty (240) months or more of service  
7 upon retirement. Should such recipient have less than two hundred forty  
8 (240) months of service but have at least one hundred eighty (180)  
9 months of service, seventy-five percent (75%) of such premium shall be  
10 paid from the insurance trust fund or accounts established pursuant to 26  
11 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
12 and 78.520, provided such recipient agrees to pay the remaining twenty-  
13 five percent (25%) by payroll deduction from his retirement allowance  
14 or by another method. Should such recipient have less than one hundred  
15 eighty (180) months of service but have at least one hundred twenty  
16 (120) months of service, fifty percent (50%) of such premium shall be  
17 paid from the insurance trust fund or accounts established pursuant to 26  
18 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
19 and 78.520, provided such recipient agrees to pay the remaining fifty  
20 percent (50%) by payroll deduction from his retirement allowance or by  
21 another method. Should such recipient have less than one hundred  
22 twenty (120) months of service but have at least forty-eight (48) months  
23 of service, twenty-five percent (25%) of such premium shall be paid  
24 from the insurance trust fund or accounts established pursuant to 26  
25 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
26 and 78.520, provided such recipient agrees to pay the remaining seventy-  
27 five percent (75%) by payroll deduction from his retirement allowance

1 or by another method. Notwithstanding the foregoing provisions of this  
2 subsection, an employee participating in one (1) of the retirement  
3 systems administered by the Kentucky Retirement Systems who  
4 becomes disabled in the line of duty as defined in KRS 16.505(19) or  
5 61.621, shall have his premium paid in full as if he had two hundred  
6 forty (240) months or more of service. Further, an employee  
7 participating in one (1) of the retirement systems administered by the  
8 Kentucky Retirement Systems who is killed in the line of duty as  
9 defined in KRS 16.505(19) or 61.621, shall have the premium for the  
10 beneficiary, if the beneficiary is the member's spouse, and for each  
11 dependent child paid so long as they individually remain eligible for a  
12 monthly retirement benefit. "Months of service" as used in this section  
13 shall mean the total months of combined service used to determine  
14 benefits under any or all of the three (3) retirement systems, except  
15 service added to determine disability benefits shall not be counted as  
16 "months of service." For current and former employees of the Council  
17 on Postsecondary Education who were employed prior to January 1,  
18 1993, and who earn at least fifteen (15) years of service credit in the  
19 Kentucky Employees Retirement System, "months of service" shall also  
20 include vested service in another retirement system other than the  
21 Kentucky Teachers' Retirement System sponsored by the Council on  
22 Postsecondary Education.

23 (b) 1. For a member electing insurance coverage through the Kentucky  
24 Retirement Systems, "months of service" shall include, in addition to  
25 service as described in paragraph (a) of this subsection, service credit in  
26 one (1) of the other state-administered retirement plans.

27 2. Effective August 1, 1998, the Kentucky Retirement Systems shall

1 compute the member's combined service, including service credit in  
2 another state-administered retirement plan, and calculate the portion of  
3 the member's premium to be paid by the insurance trust fund accounts  
4 established pursuant to 26 U.S.C. sec. 401(h) within the funds  
5 established in KRS 16.510, 61.515, and 78.520, according to the criteria  
6 established in paragraph (a) of this subsection. Each state-administered  
7 retirement plan annually shall pay to the insurance trust fund the  
8 percentage of the system's cost of the retiree's monthly contribution for  
9 single coverage for hospital and medical insurance which shall be equal  
10 to the percentage of the member's number of months of service in the  
11 other state-administered retirement plan divided by his total combined  
12 service. The amounts paid by the other state-administered retirement  
13 plans and the insurance trust fund or accounts established pursuant to 26  
14 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,  
15 and 78.520 shall not be more than one hundred percent (100%) of the  
16 monthly contribution adopted by the respective boards of trustees.

17 3. A member may not elect coverage for hospital and medical benefits  
18 under this subsection through more than one (1) of the state-  
19 administered retirement plans.

20 4. A state-administered retirement plan shall not pay any portion of a  
21 member's monthly contribution for medical insurance unless the member  
22 is a recipient or annuitant of the plan.

23 5. The premium paid by the Kentucky Retirement Systems insurance trust  
24 fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within  
25 the funds established in KRS 16.510, 61.515, and 78.520 shall not  
26 exceed one hundred percent (100%) of the monthly contribution rate  
27 toward hospital and medical insurance coverage approved by the board

1 of trustees of the Kentucky Retirement Systems.

2 (4) (a) Group rates under the hospital and medical insurance plan shall be made  
3 available to the spouse, each dependent child, and each disabled child,  
4 regardless of the disabled child's age, of a recipient who is a former member  
5 or the beneficiary, if the premium for the hospital and medical insurance for  
6 the spouse, each dependent child, and each disabled child, or beneficiary is  
7 paid by payroll deduction from the retirement allowance or by another  
8 method. For purposes of this subsection only, a child shall be considered  
9 disabled if he has been determined to be eligible for federal Social Security  
10 disability benefits or meets the dependent disability standard established by  
11 the Department of Employee Insurance in the Personnel Cabinet.

12 (b) The other provisions of this section notwithstanding, the insurance trust fund  
13 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
14 established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the  
15 monthly contribution for the spouse and for each dependent child of a  
16 recipient who was a member of the General Assembly and is receiving a  
17 retirement allowance based on General Assembly service, of the Kentucky  
18 Employees Retirement System and determined to be in a hazardous position,  
19 of the County Employees Retirement System, and determined to be in a  
20 hazardous position or of the State Police Retirement System. The percentage  
21 of the monthly contribution paid for the spouse and each dependent child of a  
22 recipient who was in a hazardous position shall be based solely on the  
23 member's service with the State Police Retirement System or service in a  
24 hazardous position using the formula in subsection (3)(a) of this section,  
25 except that for any recipient of a retirement allowance from the County  
26 Employees Retirement System who was contributing to the system on January  
27 1, 1998, for service in a hazardous position, the percentage of the monthly

1 contribution shall be based on the total of hazardous service and any  
2 nonhazardous service as a police or firefighter with the same agency, if that  
3 agency was participating in the County Employees Retirement System but did  
4 not offer hazardous duty coverage for its police and firefighters at the time of  
5 initial participation.

6 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.  
7 401(h) within the funds established in KRS 16.510, KRS 61.515, and 78.520  
8 shall continue the same level of coverage for a recipient who was a member of  
9 the County Employees Retirement System after the age of sixty-five (65) as  
10 before the age of sixty-five (65), if the recipient is not eligible for Medicare  
11 coverage. If the insurance trust fund or accounts established pursuant to 26  
12 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and  
13 78.520 provides coverage for the spouse or each dependent child of a former  
14 member of the County Employees Retirement System, the insurance trust fund  
15 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds  
16 established in KRS 16.510, 61.515, and 78.520 shall continue the same level  
17 of coverage for the spouse or each dependent child after the age of sixty-five  
18 (65) as before the age of sixty-five (65), if the spouse or dependent child is not  
19 eligible for Medicare coverage.

20 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member  
21 who holds a judicial office but did not elect to participate in the Judicial Retirement  
22 Plan and is participating instead in the Kentucky Employees Retirement System, the  
23 County Employees Retirement System, or the State Police Retirement System, as  
24 provided in KRS 61.680, and who has at least twenty (20) years of total service,  
25 one-half (1/2) of which is in a judicial office, shall receive the same hospital and  
26 medical insurance benefits, including paid benefits for spouse and dependents, as  
27 provided to persons retiring under the provisions of KRS 21.427. The

1 Administrative Office of the Courts shall pay the cost of the medical insurance  
2 benefits provided by this subsection.

3 (6) Premiums paid for hospital and medical insurance coverage procured under  
4 authority of this section shall be exempt from any premium tax which might  
5 otherwise be required under KRS Chapter 136. The payment of premiums by the  
6 insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)  
7 within the funds established in KRS 16.510, 61.515, and 78.520 shall not constitute  
8 taxable income to an insured recipient. No commission shall be paid for hospital  
9 and medical insurance procured under authority of this section.

10 (7) The board shall promulgate an administrative regulation to establish a medical  
11 insurance reimbursement plan to provide reimbursement for hospital and medical  
12 insurance premiums of recipients of a retirement allowance who are not eligible for  
13 the same level of hospital and medical benefits as recipients living in Kentucky and  
14 having the same Medicare hospital and medical insurance eligibility status. An  
15 eligible recipient shall file proof of payment for hospital and medical insurance at  
16 the retirement office. Reimbursement to eligible recipients shall be made on a  
17 quarterly basis. The recipient shall be eligible for reimbursement of substantiated  
18 medical insurance premiums for an amount not to exceed the total monthly  
19 premium determined under subsection (3) of this section. The plan shall not be  
20 made available if all recipients are eligible for the same coverage as recipients  
21 living in Kentucky.

22 (8) (a) 1. For employees having a membership date on or after July 1, 2003, and  
23 before September 1, 2008, participation in the insurance benefits  
24 provided under this section shall not be allowed until the employee has  
25 earned at least one hundred twenty (120) months of service in the state-  
26 administered retirement systems.

27 2. For an employee having a membership date on or after September 1,

1                   2008, participation in the insurance benefits provided under this section  
2                   shall not be allowed until the employee has earned at least one hundred  
3                   eighty (180) months of service credited under KRS 16.543(1),  
4                   61.543(1), or 78.615(1) or another state-administered retirement system.

5           (b) An employee who meets the minimum service requirements as provided by  
6           paragraph (a) of this subsection shall be eligible for benefits as follows:

- 7           1. For employees who are not in a hazardous position, a monthly insurance  
8           contribution of ten dollars (\$10) for each year of service as a  
9           participating employee.
- 10          2. For employees who are in a hazardous position or who participate in the  
11          State Police Retirement System, a monthly insurance contribution of  
12          fifteen dollars (\$15) for each year of service as a participating employee  
13          in a hazardous position or as a participating member of the State Police  
14          Retirement System. Upon the death of the retired member, the  
15          beneficiary, if the beneficiary is the member's spouse, shall be entitled to  
16          a monthly insurance contribution of ten dollars (\$10) for each year of  
17          service the member attained as a participating employee in a hazardous  
18          position or as a participating member of the State Police Retirement  
19          System.

20          (c) 1. The minimum service requirement to participate in benefits as provided  
21          by paragraph (a) of this subsection shall be waived for a member who is  
22          disabled or killed in the line of duty as defined in KRS 16.505(19), and  
23          the member or his spouse and eligible dependents shall be entitled to the  
24          benefits payable under this subsection as though the member had twenty  
25          (20) years of service in a hazardous position.

26          2. The minimum service required to participate in benefits as provided by  
27          paragraph (a) of this subsection shall be waived for a member who is

1 disabled in the line of duty as defined in KRS 61.621, and the member  
2 shall be entitled to the benefits payable under this subsection as though  
3 the member has twenty (20) years of service in a nonhazardous position.

4 3. The minimum service required to participate in benefits as provided by  
5 paragraph (a) of this subsection shall be waived for a member who is  
6 killed in the line of duty as described in KRS 61.621, and the member's  
7 spouse and eligible dependents shall be entitled to the benefits payable  
8 under this subsection as though the member has twenty (20) years of  
9 service in a hazardous position.

10 (d) The monthly insurance contribution amount shall be increased July 1 of each  
11 year by one and one-half percent (1.5%). The increase shall be cumulative and  
12 shall continue to accrue after the member's retirement for as long as a monthly  
13 insurance contribution is payable to the retired member or beneficiary.

14 (e) The benefits of this subsection provided to a member whose participation  
15 begins on or after July 1, 2003, shall not be considered as benefits protected  
16 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The  
17 General Assembly reserves the right to suspend or reduce the benefits  
18 conferred in this subsection if in its judgment the welfare of the  
19 Commonwealth so demands.

20 (f) An employee whose membership date is on or after September 1, 2008, who  
21 retires and is reemployed in a regular full-time position required to participate  
22 in one (1) of the systems administered by Kentucky Retirement Systems shall  
23 not be eligible for health insurance coverage or benefits provided by this  
24 section and shall take coverage with his or her employing agency during the  
25 period of reemployment in a regular full-time position.